MAGNI-TECH INDUSTRIES BERHAD (422585-V)

ANNUAL REPORT 2011

# MAGNI-TECH INDUSTRIES BERHAD

(422585-V)

(Incorporated in Malaysia)

# ANNUAL REPORT 2011

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# Corporate Information

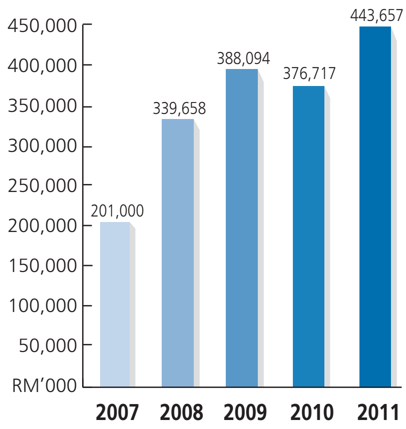
## Board of Directors

| | |
|---|---|
| Executive Chairman | Tan Sri Dato' Tan Kok Ping |
| Managing Director | Tan Poay Seng |
| Directors | Tan Kok Aun<br>H'ng Cheok Seng<br>Datuk Noor Zahidi bin Omar<br>Tan Thiam Chai<br>Mawan Noor Aini Binti Md. Ismail<br>Chang Chuen Hwa (Alternate Director to Tan Poay Seng) |

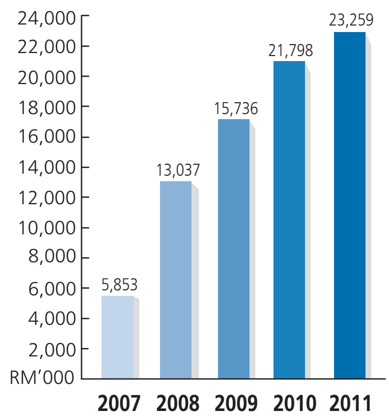
| | |
|---|---|
| **Company Secretary** | Lee Peng Loon (MACS 01258) |
| **Auditors** | Ernst & Young, Chartered Accountants<br>22nd Floor, Plaza MWE, No. 8 Lebuh Farquhar,<br>10200 Penang.<br>Tel: 04-2630033<br>Fax: 04-2630099 |
| **Registered Office** | 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah,<br>10050 Penang.<br>Tel: 04-2108833<br>Fax: 04-2108831 |
| **Share Registrar** | Plantation Agencies Sdn. Berhad<br>3rd Floor, Standard Chartered Bank Chambers,<br>Beach Street, 10300 Penang.<br>Tel: 04-2625333<br>Fax: 04-2622018 |
| **Bankers** | CIMB Bank Berhad<br>Malayan Banking Berhad<br>HSBC Bank Malaysia Bhd<br>EON Bank Berhad |
| **Stock Exchange Listing** | Main Market, Bursa Malaysia |
| **Stock Number** | 7087 |
| **Sector** | Consumer Products |
| **Place of Incorporation And Domicile** | Malaysia |

# Financial Highlights

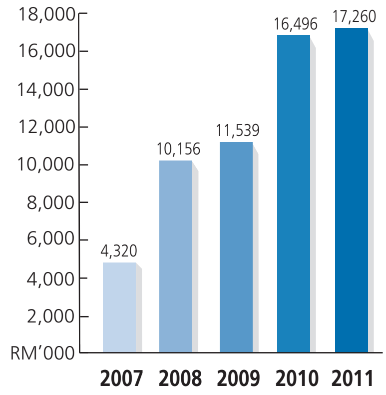
## *Revenue*



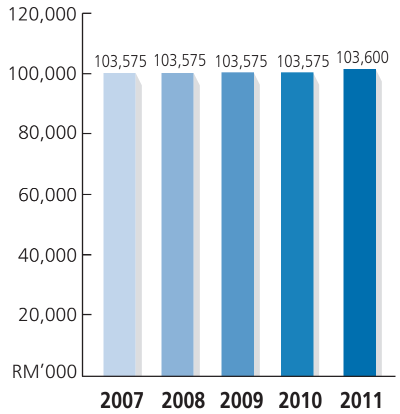

## *Profit Before Tax*




## *Net Profit for the year*

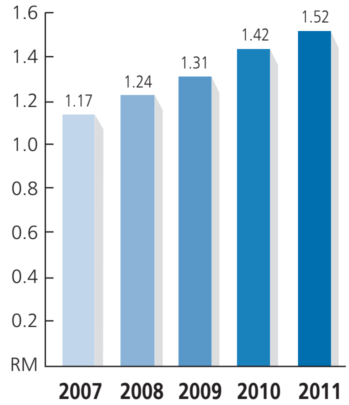



## *Paid Up Share Capital*

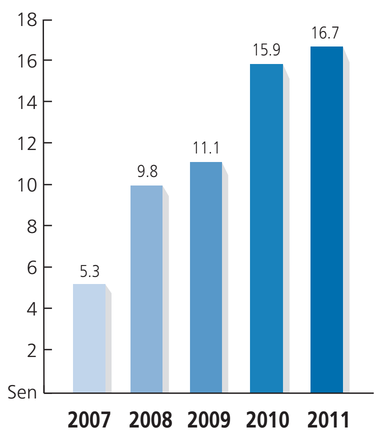



## *Reserves*


## *Net Assets Per Share*

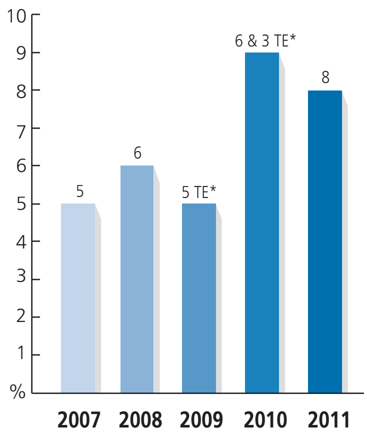



## *Basic Earnings Per Share*




## *Gross Dividend Per Share*

*~ Paid / payable in the following year*




*TE: Tax Exempt*

# Profile of Directors

## Tan Sri Dato' Tan Kok Ping

Executive Chairman
Appointed to the Board on 18-2-2000
Aged 65, Malaysian,
Bachelor Degree in Commerce, Nanyang University Singapore
Occupation : Company Director

Tan Sri has more than 40 years of experience in various business sectors which include property development, manufacturing of consumer electronics, garment, corrugated and plastic packaging products.

He also sits on the Board of several private limited companies.

He was the former Managing Director and Deputy Chairman of Berjaya Sports Toto Berhad and former Non-Executive Chairman of Berjaya Retail Berhad.

He is the President of Penang Chinese Chamber of Commerce, Chairman of Penang Joint Chambers of Commerce, Deputy President of The Associated Chinese Chambers of Commerce and Industry of Malaysia and Director of Institut Intergriti Negeri Pulau Pinang.

He attended 3 out of the 4 Board Meetings held during the financial year.

## Tan Poay Seng

Managing Director
Appointed to the Board on 18-2-2000
Aged 45, Malaysian
Diploma in Hotel Management, Switzerland
Occupation : Company Director

He was also the Managing Director of Fila Sport Malaysia Sdn Bhd, which is involved in marketing and retailing of sportswear, for about 5 years. He also sits on the Board of several private limited companies.

He attended 3 out of the 4 Board Meetings held during the financial year.

## Tan Kok Aun

Executive Director
Appointed to the Board on 18-2-2000
Aged 62, Malaysian
Bachelor of Mechanical Engineering Degree, Trinity College, Ireland
Occupation : Company Director

He was one of the pioneers responsible for the initial setup and operations of South Island Packaging (Penang) Sdn Bhd (SIPP), a 99.64% owned subsidiary of the Company. He has gathered over 35 years of experience and knowledge in the printing and packaging industry. He also sits on the Board of several private limited companies.

He attended 2 out of the 4 Board Meetings held during the financial year.

## H'ng Cheok Seng

Non-Independent Non-Executive Director and Member of Audit Committee
Appointed to the Board on 18-2-2000
Aged 53, Malaysian
Fellow Member, Association of Chartered Certified Accountants, UK
Occupation : Company Director

He has over 20 years experience in financial, corporate and accounting related positions with investment holding, garment manufacturing, local and multi-national electronic manufacturing companies. Prior to his Pre-U studies, he had 6 years of audit and taxation working experience with a local public accounting firm.

He attended all the 4 Board Meetings held during the financial year.

## Datuk Noor Zahidi bin Omar

Independent Non-Executive Director and Chairman of Audit Committee
Appointed to the Board on 18-2-2000
Aged 54, Malaysian
Diploma in Business Studies, ITM and MBA, University of Hull, UK
Occupation : Company Director

For 3 years he served as Company Secretary and Executive Assistant to Group Managing Director of Kumpulan Adabi (Holdings) Sdn Bhd, an investment holding company. He was subsequently the General Manager of Keltra Sdn Bhd, principally involved in construction, for a period of 6 years. He is currently the Executive Chairman of Keltrade Sdn Bhd.

He attended 3 out of the 4 Board Meetings held during the financial year.

## Tan Thiam Chai

Non-Independent Non-Executive Director
Appointed to the Board on 7-1-2009
Aged 53, Malaysian
Fellow member of the Association of Chartered Certified Accountants (UK)
and member of the Malaysian Institute of Accountants.
Occupation : Company Director

Graduated in 1981, he started work with an accounting firm in Kuala Lumpur for about 2 years and thereafter served in various Finance and Accounting positions with the Hong Leong Group of Companies in Malaysia as well as in Hong Kong for 8 years. He joined Berjaya Corporation Group of Companies in early 1991 as a Finance Manager of an operating subsidiary and was promoted to Operation Manager later that year. In 1992, he was transferred to the Corporate Head Office of Berjaya Group Berhad to head the Group Internal Audit function and subsequently in 1993, he was promoted to oversee the Group Accounting function of Berjaya Group Berhad.

Currently, he is the Chief Financial Officer of Berjaya Corporation Berhad and the Executive Director of both Berjaya Land Berhad and Berjaya Assets Berhad. He also holds directorships in Cosway Corporation Limited (Listed in Hong Kong Stock Exchange), Taiga Building Products Limited (Listed in Toronto Stock Exchange, Canada), Cosway Corporation Berhad, Berjaya Food Berhad and several subsidiary and affiliated companies of Berjaya Corporation Group of Companies as well as in several other private limited companies.

He attended all the 4 Board Meetings held during the financial year.

### Mawan Noor Aini Binti Md. Ismail

Independent Non-Executive Director and Member of Audit Committee
Appointed to the Board on 8-2-2010
Aged 63, Malaysian
Masters in Public Administration (Finance) from University of Southern California. and Associate member of the Malaysian Institute of Chartered Secretaries and Administrators
Occupation : Company Director

She began her career at Standard Chartered Bank after graduating from Institut Teknologi Mara with a professional qualification in ICSA (The Institute of Chartered Secretaries and Administrators, United Kingdom). Subsequently, she joined Universiti Sains Malaysia, Penang as a Administrative Officer/Assistant Bursar until she retired in 2008 as Bursar of the University.

She attended all the 4 Board Meetings held during the financial year.

### Chang Chuen Hwa

Alternate Director to Tan Poay Seng
Appointed to the Board on 18-2-2000 and redesignated as the Alternate Director on 23-9-2008
Aged 54, Malaysian
Bachelor of Business Studies Degree, Massey University, New Zealand
Occupation : Company Director

He is the Managing Director of South Island Plastics Sdn Bhd (SIP), a wholly owned subsidiary of the Company and was attached to SIP since 1982. During his 28 years of service with SIP, he has gained extensive knowledge of the plastic film packaging industry.

He attended 3 out of the 4 Board Meetings held during the financial year.

# Notice of Annual General Meeting

Notice is hereby given that the Fourteenth Annual General Meeting of the Company will be held at Berjaya 1, 7th Floor, Berjaya Georgetown Hotel, 1-Stop Midlands Park Centre, Jalan Burmah, 10350 Penang on Friday, 28 October 2011 at 10.30 a.m. for the following purposes:-

**A G E N D A**

**As Ordinary Business:**

1. To receive the Audited Financial Statements for the financial year ended 30 April 2011 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**

2. To re-elect the following Directors who retire by rotation in accordance with Article 94(1) of the Company's Articles of Association and who, being eligible, offer themselves for re-election:

   i) Tan Sri Dato' Tan Kok Ping **Ordinary Resolution 2**
   ii) Mr. H'ng Cheok Seng **Ordinary Resolution 3**

3. To approve the payment of a first and final franked dividend of 8% less tax of 25% for the financial year ended 30 April 2011. **Ordinary Resolution 4**

4. To approve the payment of Directors' fees for the financial year ended 30 April 2011. **Ordinary Resolution 5**

5. To re-appoint Messrs. Ernst & Young as auditors of the Company until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

**As Special Business:**

To consider and if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions:

6. **Authority under Section 132D of the Companies Act, 1965 for the Directors to Allot and Issue Shares** **Ordinary Resolution 7**
   "That, subject always to provisions of the Companies Act, 1965 ("the Act"), the Articles of Association of the Company and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Act, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued."

7. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** **Ordinary Resolution 8**

"That, subject always to the provisions of the Companies Act, 1965 ("the Act"), the Memorandum & Articles of Association of the Company, the requirements of Bursa Malaysia Securities Berhad and/or any other regulatory authorities, approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business which are necessary for the day-to-day operations of the Company and its subsidiaries as specified in Section 2.1 of the Company's Circular to Shareholders dated 6 October 2011("Circular") on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders and that authority conferred by this resolution shall take effect immediately upon the passing of this resolution and the shareholders' mandate shall continue to be in force until:

(a) the conclusion of the next annual general meeting ("AGM") of the Company following the AGM at which the ordinary resolution for the Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act), or

(c) revoked or varied by resolution passed by the shareholders at a general meeting,

whichever is the earlier;

And that, authority be and is hereby given to the Directors of the Company and its subsidiaries to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution.

And that, the estimates given on the recurrent related party transactions specified in Section 2.1 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 2.3 of the Circular."

8. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board,

**LEE PENG LOON (MACS 01258)**
Company Secretary

Penang
Date: 6 October 2011

**NOTES ON APPOINTMENT OF PROXY**

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.

2. For a proxy to be valid, the proxy form duly completed, must be deposited at the registered office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.

3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.

4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

5. If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.

**EXPLANATORY NOTES ON SPECIAL BUSINESS**

6. ***Agenda 6 (Resolution pursuant to Section 132D of the Companies Act, 1965)***
The proposed Ordinary Resolution 7, is to seek a renewal of the general mandate for the directors of the Company to allot and issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the directors consider will be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

   As at the date of notice of meeting, no new shares has been issued pursuant to the general mandate granted at the last Annual General Meeting of the Company.

   The general mandate for issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

7. ***Agenda 7 (Resolution pursuant to Proposed Renewal of Shareholders' Mandate)***
The proposed Ordinary Resolution 8, is to enable the Company and its subsidiaries to enter into recurrent transactions involving the interests of related parties, which are of a revenue or trading nature and necessary for the Group's day to day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of minority shareholders of the Company. Further information on the Proposed Renewal of Shareholders' Mandate is set out in the Circular to Shareholders dated 6 October 2011, dispatched together with the Company's 2011 Annual Report.

## Notice Of Dividend Entitlement

Notice is also hereby given that, a depositor shall qualify for entitlement only in respect of:

a. Shares transferred into the depositor's securities account before 4.00 p.m. on 11 November 2011 in respect of transfers;

b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

The dividend, if approved will be paid on 29 November 2011 to depositors who are registered in the Record of Depositors of the Company on 11 November 2011.

By Order of the Board,

**LEE PENG LOON (MACS 01258)**
Company Secretary

Penang
Date: 6 October 2011

# Chairman's Statement

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Magni-Tech Industries Berhad for the financial year ended 30 April 2011 ("the financial year").

## Group's Performance

The Group's performance was commendable for the financial year. Revenue and Profit Before Taxation ("PBT") were RM443.657 million and RM23.259 million respectively in the financial year as opposed to RM376.717 million and RM21.798 million in the previous financial year.

The increase in Revenue for the financial year by 17.8% compared to the preceding financial year was mainly due to the increase in sale of both garments and packaging goods arising from higher sale orders received.

Garment business has accounted for 76.3% of the Group's total revenue for the financial year.

The increase in PBT for the financial year by 6.7% was primarily due to the increase in revenue.

The Group's net assets per share stood at RM1.52 as compared to RM1.42 in 2010.

I am pleased to say that the Group has an uninterrupted profit track record since its listing in year 2000.

## Operations

Both the garment and packaging businesses continue to experience intense competition and rising operating costs resulting from inflationary pressures.

Our efforts on enhancing operational productivity and cost efficiency have undoubtedly contributed to the improved PBT in both the garment and packaging segments.

To keep up with the changing technology, the Group has continuously invested in upgrading its information technology system to support decision making, production planning, and quality management. This enables the Group to enhance customer satisfaction by providing quality products and services, including timely delivery of customers' orders.

## Going Forward

The outlook for both garment and packaging businesses in the forthcoming year remains tough although the overall business conditions indicate that the manufacturing sector is on an expansionary mode.

The Garment's Revenue is derived entirely from export sales. The export sales and imported purchases are primarily transacted in USD. The strengthening of Ringgit against USD subsequent to year end may erode the profit margin of the garment business for the forthcoming year.

The Group plans to mitigate this through a combination of intensified focus on driving volume and a continuous pursuit of lean management system to ensure the most efficient use of the Group's resources. We will continue to instil a positive safety culture at our workplace including improved employee morale and a safer work environment.

Barring unforeseen circumstances, the Group is expected to deliver satisfactory operating performance for the year ending 30 April 2012.

The Group will continue to be proactive and will not hesitate to seize any opportunities which we believe can create value and generate good returns to our shareholders.

## Dividends

The Board has recommended a first and final franked dividend of 8% less 25% income tax for the financial year (2010 : 6% less 25% income tax and 3% tax exempt dividend) for approval by the shareholders at the forthcoming Annual General Meeting.

## Appreciation

I would like to extend our sincere appreciation to the Management and Staff for their dedication and loyalty and to extend our sincere thanks to our valued customers, shareholders, vendors, bankers and government agencies for their continued support and co-operation.

**Tan Sri Dato' Tan Kok Ping**
Chairman

# Corporate Governance Statement

The Board is pleased to disclose hereunder the manner in which the Company has applied the Principles of Corporate Governance and the extent of compliance with the Best Practice of the Code.

## Application of the Principles

### (1) The Board of Directors

**The Board and Board Balance**

The Board has the overall responsibility for corporate governance, setting strategic direction, and overseeing all major investments of the Group. The Board has 7 members, 3 of whom are Executive Directors, 2 of whom are Non-Independent Non-Executive Directors whilst the remaining 2 are Independent Non-Executive Directors.

The Board has delegated the specific responsibilities to 2 Board Committees, namely the Audit Committee and Employee Share Option Scheme Committee, all of which have terms of reference to govern their responsibilities. The Board Committees will deliberate on and examine issues within their terms of reference and report to the Board.

The Board met 4 times during the financial year ended 30 April 2011 and the attendance of the Directors at the said meetings are set out in the Profile of Directors on pages 4 to 6 of the Annual Report.

There is a clear division of responsibility between the Executive Chairman and the Managing Director to ensure that there is a balance of power and authority.

**Appointments to the Board**

The appointment of any new director is decided collectively by the Board of Directors.

The Directors have access to the advice and services of the Company Secretary to ensure that all such appointments are properly made and all the statutory requirements are met.

A Nomination Committee has not been set up as the Board is of the opinion that the current composition and mix of background and expertise of the Board members are sufficient to deal with all relevant affairs of the Group effectively.

**Re-election**

The Articles of Association provides that all Directors shall retire from office once in every three years but shall be eligible for re-election. An alternate director shall cease to be an alternate director if his appointer for any reason ceases to be a director.

The Board will ensure that full information is furnished through the notice of meeting regarding Directors standing for re-election to assist shareholders in their decision.

**Supply of Information**

The Board is supplied with, on a timely basis, information in a form and of quality appropriate to enable it to discharge its duties.

Every Director has also access to the advice and services of the Company Secretary and may obtain independent professional advice at the Company's expense in furtherance of their duties.

**Directors' Training**

All Directors have completed their Mandatory Accreditation Programme as required by the listing requirements of Bursa Malaysia Securities Berhad. The Directors are encouraged to evaluate their own training needs on a continuous basis and to attend talks, seminars, workshops and other training programmes that would enable them to enhance their knowledge and contribution to the Board.

Details of the training programmes attended by the Directors during the financial year ended 30 April 2011 include Budget 2011 Proposals and Recent Developments, Goods & Services Tax Briefing by the Chairman of the Tax Review Panel, Ministry of Finance, Recent changes to Financial Reporting Standards, and Governance Program – Assessing the risk and control environment.

## (2) Directors' Remuneration

The level of remuneration is structured in order to attract, retain and motivate the Executive Directors of the necessary skill, experience and competencies. The payment of fees to Directors are recommended by the Board for approval by the shareholders of the Company at the Annual General Meeting.

The Board has not established a Remuneration Committee as the Board of Directors as a whole determine the remuneration of the Executive Directors.

The aggregate and range of Directors' remuneration for the financial year ended 30 April 2011 are disclosed in Note 12 to the Financial Statements.

## (3) Shareholders / Investors

The Company welcomes active participation and feedback from the shareholders at the Company's Annual General Meeting during which shareholders are encouraged to raise questions or offer constructive criticism pertaining to the operations and financial matters of the Group.

Company information, annual and quarterly financial results are published in the Company's website http://www.magni-tech.com.my as public information.

## (4) Accountability and Audit

**Financial Reporting**

The Board is responsible for presenting a balanced and understandable assessment of the performance and prospects when releasing its quarterly and annual financial statements to shareholders.

The Audit Committee reviews the said information to ensure its accuracy and adequacy.

**Internal Control**

Information pertaining to the Group's internal control is disclosed in the Statement on Internal Control on page 15.

**Relationship with the Auditors**

The Company has established a transparent and appropriate relationship with the external auditors in seeking professional advice and ensuring compliance with the approved accounting standards.

## Compliance Statement

The Company is committed to comply with the Best Practices, wherever practicable and reasonable. Save as disclosed above, the Board considers that it has complied with the Best Practices as set out in the Code.

# Statement on Internal Control

## Responsibility

The Board of Directors recognizes the importance of sound internal control and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal control as well as reviewing its adequacy and integrity.

As there are limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable and not absolute assurance against material misstatement or loss.

## Key Processes

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group. The ongoing process has been in place and it is regularly reviewed by the Board and accords with the Guidance.

The key processes of the internal control functions include the following:

1) Budgets are reviewed and approved by the Executive Directors of the respective operating subsidiaries and subsequently by the Board. Reports on results and variance analysis are reviewed by the Management on a monthly basis and by the Board at least on a quarterly basis.

2) Review of operational related risk associated with the manufacturing processes of the operating subsidiaries, such as the system on preventive maintenance to minimize loss on production due to machinery breakdown.

3) Credit control review within each of the operating subsidiaries.

4) Quality control section within the respective operating subsidiaries, the functions of which include minimizing wastage and improving productivity and quality of the products and customers' service.

   All the 4 operating subsidiaries had been accredited to ISO9001 : 2008.

This statement was made in accordance with a resolution of the Board of Directors dated 26 August 2011.

# Audit Committee's Report

| | | | | |
|---|---|---|---|---|
| Chairman | : | Datuk Noor Zahidi bin Omar | - | Independent Non-Executive Director |
| Members | : | Mawan Noor Aini Binti Md. Ismail | - | Independent Non-Executive Director |
| | | H'ng Cheok Seng | - | Non-Independent Non-Executive Director |

## TERMS OF REFERENCE

### Authority

Wherever necessary and reasonable for the performance of its duties, the Audit Committee shall:-

a) have authority to investigate any matter within its terms of reference;
b) have the resources which are required to perform its duties;
c) have full and unrestricted access to any information pertaining to the Company;
d) have direct communication channels with the external auditors;
e) be able to obtain independent professional or other advice; and
f) be able to convene meetings with the external auditors without the attendance of the Executive Directors and management staff whenever deemed necessary.

### Functions

The functions of the Audit Committee are as follows:-

1) Review the following:-
    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 quarterly results and year end financial statements prior to the approval of the Board, 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;
    f) any related party transaction and conflict of interest situation that may arise with the Company, and the Group.

2) To do the following, in relation to the internal audit function:
    a) Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry its work;
    b) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;

3) To recommend the nomination of a person or persons as external auditors.

4) To review and verify the allocation of shares to employees under the Employee Share Options Scheme (ESOS).

### Procedure

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

## Number of Audit Committee Meetings held during the financial year

There were 6 meetings held during the financial year. All the members of the Audit Committee were present at the said 6 meetings.

## Summary of Activities of the Audit Committee held during the Financial Year

The Audit Committee met 6 times during the financial year for the following purposes:

1) Review the unaudited quarterly results before presenting to the Board for approval and announcement to Bursa Malaysia Securities Berhad;
2) Review with the external auditors, their audit plan, audit approach and reporting requirements;
3) Review the draft audited financial statements before presenting to the Board for approval;
4) Review related party transactions.
5) Review the internal audit reports presented.
6) Review and verify the allocation of shares to employees under the ESOS.

## Allocation of Share Options to Employees

During the financial year, the Company has granted share options to the employees and Non-Executive Directors as disclosed in Note 28 to the Financial Statements.

The audit committee has verified that the allocation of the said share options was in accordance with the ESOS bye-laws.

Share options granted to and exercised by the Non-Executive Directors during the financial year were as follows:

| Name of Non-Executive Director | Amount of Options Offered | Amount of Option Exercised |
|---|---|---|
| H'ng Cheok Seng | 245,000 | 25,000 |
| Datuk Noor Zahidi bin Omar | 245,000 | Nil |

## Summary of Activities of Internal Audit Function

The Group had outsourced its internal audit function to a professional internal audit service provider firm, to provide the Board with the assurance on the adequacy and integrity of the system of internal control.

During the financial year under review, the internal auditors presented the Group's Internal Audit Plan for the Audit Committee's review and approval. The internal auditors then proceeded to carry out audits on key business process of the subsidiaries to assess the adequacy and effectiveness of their systems of internal control and compliance with the relevant policies and procedures.

The internal auditors reported the results of internal audits and make recommendations for improvement to the Audit Committee. Audit reports that were presented to the Audit Committee were also forwarded to the management concerned for their attention and necessary actions.

The internal audit costs incurred during the financial year was RM22,577.

# Directors' Responsibility Statement

as at 30 April 2011

The Directors consider that, in preparing the financial statements of Magni-Tech Industries Berhad for the financial year ended 30 April 2011 on pages 31 to 107 of this Annual Report, the Company had used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable accounting standards 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 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.

# Corporate Social Responsibility

The Group has always been actively playing its role in maintaining the corporate social responsibility in business operations with aims for a balanced approach of business performance and social responsibility. There are on-going efforts to minimize the environmental, health and safety risks impact of its operations. Waste treatment system to ensure no ink waste water is discharged to the drain and Activated Carbon Filter System for Air Pollution Control have been implemented in certain operations in Malaysia.

The Group also ensures compliance with all environmental and occupational safety and health regulations and laws at all times.  Packaging paper material has an impact on environment and the Group continues to encourage recycling efforts on paper wastes and scrap to mitigate the impact. The storage, usage and disposal of hazardous chemicals and waste are carried out according to the relevant regulatory requirements. Personnel in charge are constantly sent to attend training courses relevant to this area.

In an effort to develop and retain quality employees, the Group provided in-house as well as out-sourced training programmes for management, supervisory and marketing skills for its employees during the financial year ended 30 April 2011. At the same time, the Group also initiated staff welfare functions as an effort to enhance work-life balance among the staff.

As a responsible corporate citizen, the Group also provided financial assistance to schools and local charitable organizations.  During the financial year ended 30 April 2011, the Group donated about RM485,500 to schools, sports and charitable organizations. Other community works involved included visiting the handicapped children centres, homes for the blind, old folks homes and other charitable organizations.

# Other Corporate Disclosure

## Convictions for Offences

None of the Directors have been convicted for offences within the past 10 years other than traffic offences, if any.

## Utilisation of Proceeds Raised from Corporate Proposals

Not applicable as there were no fund raising corporate proposals during the financial year.

## Share Buy-Backs, Options or Convertible Securities

Other than the share options exercised pursuant to the Employee Share Option Scheme which has been disclosed in Notes 28 and 29 to the Financial Statements, there were no share buybacks and exercise of Options or convertible securities by the Company during the financial year.

## Depository Receipt Programme

The Company does not have any depository programme in place.

## Sanctions and / or Penalties

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

## Non-Audit Fees

The amount of non-audit fee incurred for the services provided by the external auditors to the Group for the financial year were RM9,000.

## Variation of Results

During the financial year, there were profit estimate, forecast or projection given by the Company.

There was no significant variance between the audited results for the financial year and the unaudited results previously announced.

## Material Contracts or Contract Relating to Loans

During the financial year, other than those disclosed in Note 34 to the Financial Statements, there were no material contracts or contract relating to loans with the Company and its subsidiaries involving Directors' and major shareholders' interest.

## Revaluation Policy on Landed Properties

The Company does not have a policy of regular revaluation on landed properties.

### Family Relationship

None of the Directors has any family relationship with the other Directors and/or major shareholders of the Company except for Tan Sri Dato' Tan Kok Ping (TTKP) and Tan Kok Aun, who are brothers; Tan Poay Seng is the son of TTKP; and Chang Chuen Hwa (Alternate Director to Tan Poay Seng) is the brother-in-law of TTKP and Tan Kok Aun.

### Recurrent Related Party Transactions of a Revenue or Trading Nature

Shareholders Mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature was obtained at the Annual General Meeting held on 27 October 2010. The said Mandate is subject to renewal at the forthcoming Annual General Meeting. Details of such transactions are disclosed in Note 34 to the financial statements.

### Conflict of Interest

Save as disclosed, none of the Directors have any conflict of interest with the Company.

# FINANCIAL STATEMENTS

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# Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 April 2011.

## Principal activities

The principal activities of the Company are the provision of management services and to act as an investment holding company.

The principal activities of the subsidiaries are described in Note 19 to the financial statements.

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

## Results

| | Group RM | Company RM |
|---|---|---|
| Profit net of tax | 17,260,145 | 8,033,649 |
| Profit attributable to: | | |
| Owners of the parent | 17,258,575 | 8,033,649 |
| Minority interests | 1,570 | - |
| | 17,260,145 | 8,033,649 |

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

## Dividends

The amount of dividend paid by the Company since 30 April 2010 was as follows

| | RM |
|---|---|
| In respect of the financial year ended 30 April 2010 as reported in the directors' report of that year: | |
| First and final tax exempt dividend of 3% and dividend of 6% less 25% taxation on 103,600,000 ordinary shares approved on 27 October 2010 and paid on 25 November 2010 | 7,770,000 |

## Dividends (cont'd)

At the forthcoming Annual General Meeting, a first and final dividend in respect of the current financial year ended 30 April 2011, of 8% less 25% taxation on 108,487,900 ordinary shares (the number of outstanding ordinary shares in issue of the Company after exercise of 4,887,900 employees' share options subsequent to year end) amounting to RM6,509,274 (6 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 30 April 2012.

## 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:

| | |
|---|---|
| Tan Sri Dato' Tan Kok Ping | |
| Tan Poay Seng | |
| Tan Kok Aun | |
| H'ng Cheok Seng | |
| Datuk Noor Zahidi Bin Omar | |
| Tan Thiam Chai | |
| Chang Chuen Hwa | (alternate director to Tan Poay Seng) |
| Mawan Noor Aini Binti Md. Ismail | |

## Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Options Scheme ("ESOS").

Since the end of the previous financial year, no director 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 as shown in Note 12 to the financial statements or the fixed salary of a full-time employee of the Company or its related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 34 to the financial statements.

## Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company during the financial year were as follows:

| | Number of ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| | 1 May 2010 | Acquired | Sold | 30 April 2011 |
| **The Company** | | | | |
| **Direct interest** | | | | |
| Tan Sri Dato' Tan Kok Ping * | 12,146,327 | 315,200 | (1,205,500) | 11,256,027 |
| Tan Poay Seng | 11,137,762 | 1,100 | - | 11,138,862 |
| Tan Kok Aun | 1,631,981 | - | - | 1,631,981 |
| H'ng Cheok Seng | - | 25,000 | - | 25,000 |
| Chang Chuen Hwa (alternate director to Tan Poay Seng) | 165,561 | - | - | 165,561 |
| Mawar Noor Aini Binti Md. Ismail | 2,393 | - | - | 2,393 |
| **Indirect interest** | | | | |
| **Interest of Spouse/Children of the Directors**** | | | | |
| Tan Sri Dato' Tan Kok Ping | 15,000 | 1,200,000 | - | 1,215,000 |
| Tan Kok Aun | 44,167 | - | - | 44,167 |
| Chang Chuen Hwa (alternate director to Tan Poay Seng) | 120,144 | - | - | 120,144 |
| Mawar Noor Aini Binti Md. Ismail | 3,905 | - | - | 3,905 |
| **Deemed interest of a Director** | | | | |
| Tan Sri Dato' Tan Kok Ping *** | 14,149,639 | - | - | 14,149,639 |

| | Number of options over ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| | 1 May 2010 | Granted | Exercised | 30 April 2011 |
| **The Company** | | | | |
| Tan Sri Dato' Tan Kok Ping | 500 | 450,000 | - | 450,500 |
| Tan Poay Seng | 500 | 450,000 | - | 450,500 |
| Tan Kok Aun | 22,500 | 245,000 | - | 267,500 |
| H'ng Cheok Seng | 25,000 | 245,000 | (25,000) | 245,000 |
| Datuk Noor Zahidi Bin Omar | 25,000 | 245,000 | - | 270,000 |
| Chang Chuen Hwa (alternate director to Tan Poay Seng) | 16,500 | 245,000 | - | 261,500 |

* Inclusive of shares registered in the name of AA Anthony Nominees (Tempatan) Sdn. Bhd. and Mayban Nominees (Tempatan) Sdn. Bhd..

** Disclosure pursuant to Section 134 (12) (c) of the Companies Act 1965.

*** Deemed interested by virtue of his shareholdings in KP Holdings Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

## Directors' interests (cont'd)

Tan Sri Dato' Tan Kok Ping and Tan Poay Seng, by virtue of their interests in shares in the Company, are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

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

## Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM103,575,000 to RM103,600,000 by way of the issuance of 25,000 new ordinary shares of RM1 each for cash pursuant to the Company's Employee Share Option Scheme ("ESOS") at the exercise price of RM1.00 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

## Employee share options scheme (ESOS)

The Company's Employee Share Options Scheme ("ESOS") is governed by the bye-laws approved by the shareholders at an Extraordinary General Meeting held on 12 April 2001. The ESOS was implemented on 18 July 2001 and is to be in force for a period of 10 years from the date of implementation.

During the financial year, the Company granted 5,638,000 share options under the existing ESOS plan with an exercise price of RM1.01 each which were all exercisable on grant date i.e. 3 January 2011 ("Option 3"). Subsequent to year end, 4,887,900 share options have been exercised and all the 963,100 remaining vested and unexercised share options have expired on 17 July 2011.

The salient features and other terms of the ESOS are disclosed in Note 28 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted options to subscribe for less than 80,000 ordinary shares of RM1 each. The names of the option holders granted options to subscribe for 80,000 or more ordinary shares of RM1 each during the financial year are as follows:

| Name | Grant date | Expiry date | Exercise price RM | ← Number of share options → Granted | Exercised | 30.4.2011 |
|---|---|---|---|---|---|---|
| Lee Koong Chen @ Lee Kong Chew | 3.1.2011 | 17.7.2011 | 1.01 | 245,000 | - | 245,000 |
| Tang Beng Hong | 3.1.2011 | 17.7.2011 | 1.01 | 80,000 | - | 80,000 |
| Hong Tuan Hwa | 3.1.2011 | 17.7.2011 | 1.01 | 80,000 | - | 80,000 |
| Poh Seng Chit | 3.1.2011 | 17.7.2011 | 1.01 | 80,000 | - | 80,000 |

Details of options granted to directors are disclosed in the section on Directors' Interests in this report.

## Other statutory information

(a) 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:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts in the financial statements of the Group. The directors were also satisfied that there were no known bad debts and that no provision for doubtful debts was necessary in the financial statements of the Company; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group inadequate to any substantial extent, nor are they aware of any circumstances which would render it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Company; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

(e) As at the date of this report, there does not exist:

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

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

(ii) 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 or of the Company for the financial year in which this report is made.

### Subsequent events

Details of the subsequent events are disclosed in Note 39 to the financial statements.

### Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 August 2011.

**Tan Sri Dato' Tan Kok Ping**

**Tan Poay Seng**

## Statement by Directors
**Pursuant to Section 169(15) of the Companies Act, 1965**

We, Tan Sri Dato' Tan Kok Ping and Tan Poay Seng, being two of the directors of Magni-Tech Industries Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 31 to 107 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 April 2011 and of their financial performance and cash flows for the year then ended.

The information set out in Note 41 to the financial statements have been prepared 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.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 August 2011.

**Tan Sri Dato' Tan Kok Ping**

**Tan Poay Seng**

## Statutory Declaration
**Pursuant to Section 169(16) of the Companies Act, 1965**

I, Poh Seng Chit, being the officer primarily responsible for the financial management of Magni-Tech Industries Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 107 are in my opinion 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.

Subscribed and solemnly declared by
the abovenamed Poh Seng Chit
at Georgetown in the State of Penang
on 26 August 2011:

**Poh Seng Chit**

Before me,

**CHEAH BENG SUN**
DJN, AMN, PKT, PJK, PJM, PK
No. P. 103
Commissioner for Oaths

# Independent Auditors' Report to the Members of Magni-Tech Industries Berhad

(Incorporated in Malaysia)

## Report on the financial statements

We have audited the financial statements of Magni-Tech Industries Berhad., which comprise the statements of financial position as at 30 April 2011 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 107.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control 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 control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 April 2011 and of their financial performance and cash flows for the year then ended.

### Report on other legal and regulatory requirements

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

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

(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 19 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements 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 were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

### Other matters

The supplementary information set out in Note 41 on page 107 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

**Ernst & Young**
AF: 0039
Chartered Accountants

**Lim Eng Huat**
No. 2403/04/13(J)
Chartered Accountant

Penang, Malaysia
26 August 2011

# Income Statements

**For the financial year ended 30 April 2011**

| | Note | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| **Revenue** | 4 | 443,656,780 | 376,717,117 | 11,027,004 | 9,858,404 |
| Cost of sales | 5 | (378,137,634) | (322,974,228) | - | - |
| **Gross profit** | | 65,519,146 | 53,742,889 | 11,027,004 | 9,858,404 |
| **Other items of income** | | | | | |
| Interest income | 6 | 318,368 | 263,050 | 8,301 | 10,949 |
| Dividend income | 7 | 249,444 | 716,536 | - | - |
| Other income | 8 | 1,045,128 | 449,858 | - | - |
| **Other items of expense** | | | | | |
| Administrative expenses | | (29,773,190) | (26,272,972) | (959,194) | (812,537) |
| Selling and distribution expenses | | (13,584,269) | (6,785,441) | - | - |
| Finance costs | 9 | (515,732) | (535,990) | (309) | (656) |
| **Operating profit** | | 23,258,895 | 21,577,930 | 10,075,802 | 9,056,160 |
| Share of profits of associate | | - | 220,480 | - | - |
| **Profit before tax** | 10 | 23,258,895 | 21,798,410 | 10,075,802 | 9,056,160 |
| Income tax expense | 13 | (5,998,750) | (5,302,819) | (2,042,153) | (1,218,597) |
| **Profit net of tax** | | 17,260,145 | 16,495,591 | 8,033,649 | 7,837,563 |
| **Profit attributable to:** | | | | | |
| Owners of the parent | | 17,258,575 | 16,495,152 | 8,033,649 | 7,837,563 |
| Minority interests | | 1,570 | 439 | - | - |
| | | 17,260,145 | 16,495,591 | 8,033,649 | 7,837,563 |
| **Earnings per share attributable to owners of the parent (sen per share)** | | | | | |
| Basic | 14 | 16.7 | 15.9 | | |
| Diluted | 14 | 16.6 | 15.9 | | |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Comprehensive Income

**For the financial year ended 30 April 2011**

| | Note | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| **Profit net of tax** | | 17,260,145 | 16,495,591 | 8,033,649 | 7,837,563 |
| **Other comprehensive income:** | | | | | |
| Net loss on available-for-sale financial assets | | | | | |
| - Loss on fair value changes | | (112,500) | - | - | - |
| - Transfer to profit or loss upon disposal | 8 | (159,284) | - | - | - |
| **Other comprehensive income for the year net of tax** | | (271,784) | - | - | - |
| **Total comprehensive income for the year** | | 16,988,361 | 16,495,591 | 8,033,649 | 7,837,563 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the parent | | 16,986,791 | 16,495,152 | 8,033,649 | 7,837,563 |
| Minority interests | | 1,570 | 439 | - | - |
| | | 16,988,361 | 16,495,591 | 8,033,649 | 7,837,563 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Financial Position
## As at 30 April 2011

| | Note | Group 2011 RM | Group 2010 RM Restated | Group 1 May 2009 RM Restated | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 16 | 63,621,033 | 64,450,572 | 63,529,094 | 80,055 | 99,136 |
| Investment properties | 17 | 158,807 | 166,458 | 183,169 | - | - |
| Prepaid land lease payments | 18 | 657,243 | 670,363 | 683,482 | - | - |
| Investments in subsidiaries | 19 | - | - | - | 86,067,772 | 85,350,412 |
| Investment in associate | 20 | - | - | 1,371,832 | - | - |
| Investment securities | 21 | 12,013,277 | 12,334,902 | 11,105,494 | - | - |
| | | 76,450,360 | 77,622,295 | 76,873,071 | 86,147,827 | 85,449,548 |
| **Current assets** | | | | | | |
| Inventories | 22 | 60,098,667 | 44,339,049 | 40,925,936 | - | - |
| Investment securities | 21 | 1,000,000 | - | - | - | - |
| Trade and other receivables | 23 | 55,183,977 | 48,925,440 | 41,025,292 | 45,006,155 | 44,470,445 |
| Tax recoverable | | 693,601 | 666,054 | 115,486 | 53,033 | 35,841 |
| Cash and bank balances | 24 | 18,194,250 | 21,603,831 | 19,536,992 | 308,528 | 444,937 |
| | | 135,170,495 | 115,534,374 | 101,603,706 | 45,367,716 | 44,951,223 |
| **Total assets** | | 211,620,855 | 193,156,669 | 178,476,777 | 131,515,543 | 130,400,771 |
| **Equity and liabilities** | | | | | | |
| **Current liabilities** | | | | | | |
| Borrowings | 25 | - | 97,204 | 166,668 | - | - |
| Trade and other payables | 26 | 46,823,676 | 38,817,809 | 34,507,387 | 82,056 | 45,854 |
| Tax payable | | 209,904 | 446,104 | 1,262,980 | - | - |
| | | 47,033,580 | 39,361,117 | 35,937,035 | 82,056 | 45,854 |
| **Net current assets** | | 88,136,915 | 76,173,257 | 65,666,671 | 45,285,660 | 44,905,369 |
| **Non-current liabilities** | | | | | | |
| Borrowings | 25 | - | - | 97,211 | - | - |
| Deferred tax liabilities | 27 | 7,365,438 | 6,903,894 | 6,867,714 | 11,496 | 10,895 |
| | | 7,365,438 | 6,903,894 | 6,964,925 | 11,496 | 10,895 |
| **Total liabilities** | | 54,399,018 | 46,265,011 | 42,901,960 | 93,552 | 56,749 |
| **Net assets** | | 157,221,837 | 146,891,658 | 135,574,817 | 131,421,991 | 130,344,022 |

| | Note | Group 2011 RM | Group 2010 RM Restated | Group 1 May 2009 RM Restated | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|---|
| **Equity attributable to owners of the parent** | | | | | | |
| Share capital | 29 | 103,600,000 | 103,575,000 | 103,575,000 | 103,600,000 | 103,575,000 |
| Share premium | 29 | 3,048,336 | 3,048,336 | 3,048,336 | 3,048,336 | 3,048,336 |
| Other reserves | 30 | 837,218 | 22,184 | 22,184 | 16,636,503 | 15,847,183 |
| Retained earnings | 31 | 49,707,417 | 40,218,842 | 28,902,440 | 8,137,152 | 7,873,503 |
| | | 157,192,971 | 146,864,362 | 135,547,960 | 131,421,991 | 130,344,022 |
| **Minority interests** | | 28,866 | 27,296 | 26,857 | - | - |
| **Total equity** | | 157,221,837 | 146,891,658 | 135,574,817 | 131,421,991 | 130,344,022 |
| **Total equity and liabilities** | | 211,620,855 | 193,156,669 | 178,476,777 | 131,515,543 | 130,400,771 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Equity
For the financial year ended 30 April 2011

| Group | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | Distributable | | |
| | Share capital (Note 29) RM | Share premium (Note 29) RM | Other reserves, total (Note 30) RM | Share option reserve (Note 30) RM | Fair value reserve (Note 30) RM | Retained earnings (Note 31) RM | Minority interests RM | Total equity RM |
| **At 1 May 2010** | 103,575,000 | 3,048,336 | 22,184 | 22,184 | - | 40,218,842 | 27,296 | 146,891,658 |
| Effect of adopting FRS 139 | - | - | 297,498 | - | 297,498 | - | - | 297,498 |
| | 103,575,000 | 3,048,336 | 319,682 | 22,184 | 297,498 | 40,218,842 | 27,296 | 147,189,156 |
| **Total comprehensive income** | - | - | (271,784) | - | (271,784) | 17,258,575 | 1,570 | 16,988,361 |
| **Transactions with owners:** | | | | | | | | |
| Exercise of employee share options (Note 28) | 25,000 | - | - | - | - | - | - | 25,000 |
| Dividends on ordinary shares (Note 15) | - | - | - | - | - | (7,770,000) | - | (7,770,000) |
| Grant of equity-settled share options to employees (Note 30) | - | - | 789,320 | 789,320 | - | - | - | 789,320 |
| **At 30 April 2011** | 103,600,000 | 3,048,336 | 837,218 | 811,504 | 25,714 | 49,707,417 | 28,866 | 157,221,837 |
| **At 1 May 2009** | 103,575,000 | 3,048,336 | 22,184 | 22,184 | - | 28,902,440 | 26,857 | 135,574,817 |
| **Total comprehensive income** | - | - | - | - | - | 16,495,152 | 439 | 16,495,591 |
| **Transactions with owners:** | | | | | | | | |
| Dividends on ordinary shares (Note 15) | - | - | - | - | - | (5,178,750) | - | (5,178,750) |
| **At 30 April 2010** | 103,575,000 | 3,048,336 | 22,184 | 22,184 | - | 40,218,842 | 27,296 | 146,891,658 |

MAGNI-TECH INDUSTRIES BERHAD
(422585-V)

**Company**

| | ← Non-distributable | | | | → | Distributable | |
|---|---|---|---|---|---|---|---|
| | Share capital (Note 29) RM | Share premium (Note 29) RM | Other reserves, total (Note 30) RM | Share option reserve (Note 30) RM | Capital reserve (Note 30) RM | Retained earnings (Note 31) RM | Total equity RM |
| **At 1 May 2010** | 103,575,000 | 3,048,336 | 15,847,183 | 22,184 | 15,824,999 | 7,873,503 | 130,344,022 |
| **Total comprehensive income** | - | - | - | - | - | 8,033,649 | 8,033,649 |
| **Transactions with owners:** | | | | | | | |
| Exercise of employee share options (Note 28) | 25,000 | - | - | - | - | - | 25,000 |
| Dividends on ordinary shares (Note 15) | - | - | - | - | - | (7,770,000) | (7,770,000) |
| Grant of equity-settled share options to employees (Note 30) | - | - | 789,320 | 789,320 | - | - | 789,320 |
| **At 30 April 2011** | 103,600,000 | 3,048,336 | 16,636,503 | 811,504 | 15,824,999 | 8,137,152 | 131,421,991 |
| **At 1 May 2009** | 103,575,000 | 3,048,336 | 15,847,183 | 22,184 | 15,824,999 | 5,214,690 | 127,685,209 |
| **Total comprehensive income** | - | - | - | - | - | 7,837,563 | 7,837,563 |
| **Transactions with owners:** | | | | | | | |
| Dividends on ordinary shares (Note 15) | - | - | - | - | - | (5,178,750) | (5,178,750) |
| **At 30 April 2010** | 103,575,000 | 3,048,336 | 15,847,183 | 22,184 | 15,824,999 | 7,873,503 | 130,344,022 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Cash Flows

**For the financial year ended 30 April 2011**

| | Note | Group 2011 RM | Group 2010 RM Restated | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Profit before tax | | 23,258,895 | 21,798,410 | 10,075,802 | 9,056,160 |
| Adjustments for: | | | | | |
| Amortisation of prepaid land lease payments | 10 | 13,120 | 13,119 | - | - |
| Depreciation of: | | | | | |
| - property, plant and equipment | 10 | 5,633,610 | 6,134,494 | 35,318 | 34,310 |
| - investment properties | 10 | 16,928 | 16,711 | - | - |
| Dividend income | 4 & 7 | (249,444) | (716,536) | (10,391,004) | (9,222,404) |
| Fair value gain on investment securities | 8 | (159,284) | - | - | - |
| Gain on disposal of property, plant and equipment | 8 | (71,558) | (188,872) | - | - |
| Gain on disposal of equity interest in an associate | 8 | - | (17,150) | - | - |
| Gain on disposal of available-for-sale financial assets | 8 | (495,081) | - | - | - |
| Grant of equity-settled share options to employees | 11 | 789,320 | - | 71,960 | - |
| Interest expense | 9 | 6,563 | 12,044 | - | - |
| Interest income | 6 | (318,368) | (263,050) | (8,301) | (10,949) |
| Impairment losses on investment securities | 10 | 20,285 | 143,143 | - | - |
| Net unrealised foreign exchange loss | 10 | 140,605 | 13,732 | - | - |
| Property, plant and equipment written off | 10 | 224,371 | 270,349 | - | - |
| Reversal of impairment loss | 10 | (100,000) | (8,000) | - | - |
| Share of profits of associate | | - | (220,480) | - | - |
| Total adjustments | | 5,451,067 | 5,189,504 | (10,192,027) | (9,199,043) |
| **Operating cash flows before changes in working capital** | | 28,709,962 | 26,987,914 | (216,225) | (142,883) |
| Changes in working capital | | | | | |
| Increase in inventories | | (15,759,618) | (3,413,113) | - | - |
| Increase in receivables | | (6,589,253) | (7,905,880) | (1,569) | (619) |
| Increase/(decrease) in payables | | 8,325,897 | 4,310,422 | 36,202 | (13,787) |
| Total changes in working capital | | (14,022,974) | (7,008,571) | 34,633 | (14,406) |
| **Cash flows generated from/(used in) operations** | | 14,686,988 | 19,979,343 | (181,592) | (157,289) |
| Interest paid | 9 | (6,563) | (12,044) | - | - |
| Tax paid | | (5,793,360) | (6,631,833) | (2,058,744) | (1,349,054) |
| **Net cash generated from/(used in) operating activities** | | 8,887,065 | 13,335,466 | (2,240,336) | (1,506,343) |

| | Note | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| **Investing activities** | | | | | |
| Interest received | 6 | 318,368 | 263,050 | 8,301 | 10,949 |
| Net dividends received | | 241,851 | 620,430 | 8,351,004 | 5,156,214 |
| Proceeds from disposal of equity interest in an associate | | - | 330,767 | - | - |
| Proceeds from disposal of property, plant and equipment | | 282,100 | 203,261 | - | - |
| Proceeds from disposal of investment securities | | 981,419 | - | - | - |
| Purchase and subsequent expenditure of investment properties | 17 | (9,277) | - | - | - |
| Purchase of investment securities | 21 | (1,000,000) | - | - | - |
| Purchase of property, plant and equipment | 16 | (5,238,984) | (7,340,710) | (16,237) | (1,840) |
| **Net cash (used in)/generated from investing activities** | | (4,424,523) | (5,923,202) | 8,343,068 | 5,165,323 |
| **Financing activities** | | | | | |
| Dividends paid | 15 | (7,770,000) | (5,178,750) | (7,770,000) | (5,178,750) |
| Exercise of employee share options | 29 | 25,000 | - | 25,000 | - |
| Net change in related companies balances | | - | - | 1,505,859 | 1,429,462 |
| Repayment of hire purchase payables | | (97,204) | (166,675) | - | - |
| **Net cash used in financing activities** | | (7,842,204) | (5,345,425) | (6,239,141) | (3,749,288) |
| **Net (decrease)/increase in cash and cash equivalents** | | (3,379,662) | 2,066,839 | (136,409) | (90,308) |
| **Effect of exchange rate changes on cash and cash equivalents** | | (29,919) | - | - | - |
| **Cash and cash equivalents at beginning of financial year** | | 21,603,831 | 19,536,992 | 444,937 | 535,245 |
| **Cash and cash equivalents at end of financial year** | 24 | 18,194,250 | 21,603,831 | 308,528 | 444,937 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Notes to the Financial Statements
**For the financial year ended 30 April 2011**

## 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Level 18, Penas Tower, Midlands Park Centre, 488-A, Jalan Burmah, 10350 Penang, Malaysia.

The principal activities of the Company are investment holding and the provision of management services.

The principal activities of the subsidiaries are described in Note 19.

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

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements of the Group and of the Company have also been prepared on a historical basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 May 2010, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 7 *Financial Instruments: Disclosures*
- FRS 8 *Operating Segments*
- FRS 101 *Presentation of Financial Statements (Revised)*
- FRS 123 *Borrowing Costs*
- FRS 139 *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standard*s and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

## 2. Summary of significant accounting policies (cont'd)

### 2.2 Changes in accounting policies (cont'd)

- Amendments to FRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
- Amendments to FRS 132 *Financial Instruments: Presentation*
- Amendments to FRS 132 *Financial Instruments: Classification of Rights Issues*
- Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*, *FRS 7 Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives*
- Improvements to FRS issued in 2009
- IC Interpretation 9 *Reassessment of Embedded Derivatives*
- IC Interpretation 10 *Interim Financial Reporting and Impairment*
- IC Interpretation 11 *FRS 2 – Group and Treasury Share Transactions*
- IC Interpretation 13 *Customer Loyalty Programmes*
- IC Interpretation 14 *FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding* Requirements and their Interaction

FRS 4 *Insurance Contracts* and TR *i*-3 Presentation of *Financial Statements of Islamic Financial Institutions* will also be effective for annual periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group or the Company.

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

FRS 7 *Financial Instruments: Disclosures*

Prior to 1 May 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation.* FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 30 April 2011.

FRS 8 *Operating Segments*

FRS 8, which replaces FRS 114 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 38 to the financial statements.

## 2. Summary of significant accounting policies (cont'd)

### 2.2 Changes in accounting policies (cont'd)

FRS 101 *Presentation of Financial Statements (Revised)*

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

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

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital as described fully in Note 37.

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

'Improvements to FRSs (2009)' *Amendments to FRS 117 Leases*

Prior to 1 May 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the building elements in proportion to the relative fair values for leasehold interest in the land element and building element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases.

The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated.

## 2. Summary of significant accounting policies (cont'd)

### 2.2 Changes in accounting policies (cont'd)

FRS 139 *Financial Instruments: Recognition and Measurement*

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

- Equity instruments
  Prior to 1 May 2010, the Group classified its investments in equity instruments as non-current investments. Such investments were carried at cost less any accumulated impairment losses. Upon the adoption of FRS 139, these investments, except for those whose fair value cannot be reliably measured, are designated as at 1 May 2010 as available-for-sale financial assets and accordingly are stated at their fair values as at that date amounting to RM1,955,314. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of the fair value reserve as at 1 May 2010. Investments in equity instruments whose fair value cannot be reliably measured amounting to RM11,756,633 as at 1 May 2010 continued to be carried at cost less any accumulated impairment losses.

- Impairment of trade receivables
  Prior to 1 May 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 May 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139, and concluded that there was no adjustment which was required to be made to the opening retained earnings as at 1 May 2010.

- Financial guarantee contracts
  In prior years, the Company provided financial guarantees to banks in connection with bank loans and other banking facilities granted to its subsidiaries. Prior to 1 May 2010, the Company did not provide for such guarantees unless it was more likely than not that the guarantees would be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS 139, all unexpired financial guarantees issued by the Company are recognised as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1 May 2010. The Company has determined that the fair values of such financial guarantee contracts were not significant.

- Inter-company loans
  During the current and prior years, the Company granted interest-free advances to its subsidiaries. Prior to 1 May 2010, these loans and advances were recorded at cost in the Company's financial statements. Upon the adoption of FRS 139, the interest-free advances are recorded initially at a fair value that is lower than cost. The difference between the fair value and cost of the loan or advance is recognised as an additional investment in the subsidiary. Subsequent to initial recognition, the loans and advances are measured at amortised cost. The Company has concluded that the carrying amounts of the inter-company loans which are charged interest at the prevailing rates as at 1 May 2010 approximated their amortised cost.

## 2. Summary of significant accounting policies (cont'd)

### 2.2 Changes in accounting policies (cont'd)

The following are effects arising from the above change in accounting policies in relation to Amendments to FRS 117:

| | Group 2011 RM |
|---|---|
| Increase/(decrease) in: | |
| Property, plant and equipment | 2,874,999 |
| Prepaid land lease payment | (2,874,999) |

The following comparatives have been restated:

| | As previously stated RM | Adjustment RM | As restated RM |
|---|---|---|---|
| **Statement of financial position** | | | |
| **30 April 2010** | | | |
| Property, plant and equipment | 61,493,430 | 2,957,142 | 64,450,572 |
| Prepaid land lease payment | 3,627,505 | (2,957,142) | 670,363 |
| **1 May 2009** | | | |
| Property, plant and equipment | 60,489,809 | 3,039,285 | 63,529,094 |
| Prepaid land lease payment | 3,722,767 | (3,039,285) | 683,482 |

## 2. Summary of significant accounting policies (cont'd)

### 2.2 Changes in accounting policies (cont'd)

The following are solely the effects arising from the above changes in accounting policies of FRS 139:

| | Group Increase/(decrease) As at 30 April 2011 RM | Group Increase/(decrease) As at 1 May 2010 RM |
|---|---|---|
| **Statements of financial position** | | |
| Investment securities | (271,784) | 297,498 |
| Other reserves – fair value reserve | (271,784) | 297,498 |

| | Group Increase/(decrease) As at 30 April 2011 RM |
|---|---|
| **Statement of comprehensive income** | |
| Administrative expenses | (25,714) |
| Profit net of tax | 25,714 |
| Total comprehensive income for the year | 25,714 |

| | Group Increase/(decrease) 2011 |
|---|---|
| Earnings per share: | |
| Basic (sen) | 0.02 |
| Diluted (sen) | - |

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards and interpretations issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

| ***Description*** | ***Effective for annual periods beginning on or after*** |
|---|---|
| FRS 1 *First-time Adoption of Financial Reporting Standards* | 1 July 2010 |
| Amendments to FRS 2 *Share-based Payment* | 1 July 2010 |
| FRS 3 *Business Combinations (Revised)* | 1 July 2010 |
| Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* | 1 July 2010 |
| Amendments to FRS 127 *Consolidated and Separate Financial Statements* | 1 July 2010 |
| Amendments to FRS 138 *Intangible Assets* | 1 July 2010 |
| Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives* | 1 July 2010 |
| IC Interpretation 12 *Service Concession Arrangements* | 1 July 2010 |
| IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* | 1 July 2010 |
| IC Interpretation 17 *Distributions of Non-cash Assets to Owners* | 1 July 2010 |
| Amendments to FRS 1 *Limited Exemptions from Comparative FRS 7 Disclosures for First-time Adopters* | 1 January 2011 |
| Amendments to FRS 1 *Additional Exemptions for First-time Adopters* | 1 January 2011 |
| Amendments to FRS 2 *Group Cash-Settled Share-based Payment Transactions* | 1 January 2011 |
| Amendments to FRS 7 *Improving Disclosures about Financial Instruments* | 1 January 2011 |
| IC Interpretation 4 *Determining Whether an Arrangement contains a Lease* | 1 January 2011 |
| IC Interpretation 18 *Transfers of Assets from Customers* | 1 January 2011 |
| Technical Release 3 *Guidance on Disclosures of Transition to IFRSs* | 1 January 2011 |
| Technical Release i-4 *Shariah Compliant Sale Contracts* | 1 January 2011 |
| Improvements to FRSs issued in 2010 | 1 January 2011 |
| Amendments to IC Interpretation 14 *Prepayments of a Minimum Funding Requirement* | 1 July 2011 |
| IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* | 1 July 2011 |
| FRS 124 *Related Party Disclosures* | 1 January 2012 |
| IC Interpretation 15 *Agreements for the Construction of Real Estate* | 1 January 2012 |

Except for the changes in accounting policies arising from the adoption of the revised FRS 3, the Amendments to FRS 127 as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the Amendments to FRS 127 are described below.

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards and interpretations issued but not yet effective (cont'd)

Revised FRS 3 *Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements*

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 *Statement of Cash Flows*, FRS 112 *Income Taxes*, FRS 121 *The Effects of Changes in Foreign Exchange Rates*, FRS 128 *Investments in Associates* and FRS 131 *Interests in Joint Ventures*. The changes from Revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt the standards.

### 2.4 Basis of consolidation

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

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

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Basis of consolidation (cont'd)

Subsidiaries 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.

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

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

### 2.5 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

### 2.6 Foreign currency

#### a) Functional and presentation currency

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

#### b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

## 2. Summary of significant accounting policies (cont'd)

### 2.6 Foreign currency (cont'd)

#### b) Foreign currency transactions (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

### 2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Certain property, plant and equipment have not been revalued since they were first revalued in 1979 and 1989. The directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment, these assets continue to be stated at their 1979 and 1989 valuation less accumulated depreciation and any accumulated impairment losses.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| - Buildings | 2% |
| - Leasehold land | 60 years |
| - Plant and machinery, electrical and piping installations | 5% - 10% |
| - Office furniture, fittings, equipment and renovation | 10% - 33.33% |
| - Motor vehicles | 20% |

2. **Summary of significant accounting policies** (cont'd)

2.7 **Property, plant and equipment** (cont'd)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 **Investment properties**

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

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2.9 **Impairment of non-financial assets**

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

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

## 2. Summary of significant accounting policies (cont'd)

### 2.9 Impairment of non-financial assets (cont'd)

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

### 2.10 Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any accumulated impairment losses.

### 2.11 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate'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's profit or loss for the period in which the investment is acquired.

## 2. Summary of significant accounting policies (cont'd)

### 2.11 Associates (cont'd)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are stated at cost less any accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### 2.12 Financial assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

#### a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

## 2. Summary of significant accounting policies (cont'd)

### 2.12 Financial assets (cont'd)

#### a) Financial assets at fair value through profit or loss (cont'd)

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

#### b) Loans and receivables

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

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

Loans and receivables are classified as current, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

#### c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

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

Held-to-maturity investments are classified as non-current, except for those having maturity within 12 months after the reporting date which are classified as current.

The Group and the Company have not designated any financial assets as held-to-maturity investments.

#### d) Available-for-sale financial assets

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

2. **Summary of significant accounting policies** (cont'd)

**2.12 Financial assets** (cont'd)

**d) Available-for-sale financial assets** (cont'd)

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

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

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

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

**2.13 Impairment of financial assets**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

**a) Trade and other receivables and other financial assets carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

## 2. Summary of significant accounting policies (cont'd)

### 2.13 Impairment of financial assets (cont'd)

#### a) Trade and other receivables and other financial assets carried at amortised cost (cont'd)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

#### b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss 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. Such impairment losses are not reversed in subsequent periods.

#### c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

## 2. Summary of significant accounting policies (cont'd)

### 2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### 2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials and consumables: purchase costs on a weighted average basis (for production of corrugated fibre board cartons and boxes) and first-in, first-out basis (for production of flexible plastic packaging materials and inner packaging boxes and garments).

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

### 2.16 Provisions

Provisions 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 economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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

### 2.17 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

## 2. Summary of significant accounting policies (cont'd)

### 2.17 Financial liabilities (cont'd)

#### a) Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

#### b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables (including amounts due to related companies) and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.18 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.

## 2. Summary of significant accounting policies (cont'd)

### 2.18 Financial guarantee contracts (cont'd)

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. 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 a 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.

At the reporting date, no values were placed on corporate guarantees provided by the Company to secure bank loans and other bank facilities granted to its subsidiaries where such loans and banking facilities are fully collateralised by fixed and floating charges over the property, plant and equipment and other assets of the subsidiaries and where the directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

### 2.19 Borrowings costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

### 2.20 Employee benefits

#### a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. 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 such as sick leave are recognised when the absences occur.

#### b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

## 2. Summary of significant accounting policies (cont'd)

### 2.20 Employee benefits (cont'd)

#### c) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

### 2.21 Leases

#### a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. 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.

## 2. Summary of significant accounting policies (cont'd)

### 2.21 Leases (cont'd)

#### b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(e).

### 2.22 Revenue

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 is measured at the fair value of consideration received or receivable.

#### a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### b) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

#### c) Management fees

Management fees are recognised when services are rendered.

#### d) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

#### e) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

### 2.23 Income taxes

#### a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

## 2. Summary of significant accounting policies (cont'd)

### 2.23 Income taxes (cont'd)

#### a) Current tax (cont'd)

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

#### b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

## 2. Summary of significant accounting policies (cont'd)

### 2.23 Income taxes (cont'd)

#### b) Deferred tax (cont'd)

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### c) Sales tax

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

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

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

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

### 2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on business segments which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.25 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

## 2. Summary of significant accounting policies (cont'd)

### 2.26 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

## 3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### 3.1 Judgements made in applying accounting policies

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

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### a) Depreciation of plant and equipment

The cost of plant and machinery for the manufacturing of garments and corrugated fibre board cartons and boxes of the Group are depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to range from 10 to 20 years respectively. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 16.

#### b) Impairment of financial assets

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 loans and receivables at the reporting date is disclosed in Note 23.

## 3. Significant accounting estimates and judgements (cont'd)

### 3.2 Key sources of estimation uncertainty (cont'd)

#### c) Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and model used for estimating the fair value for share-based payment transactions and the carrying amounts are disclosed in Note 28.

#### d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unutilised reinvestment allowances and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances 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. Further details of the recognised deferred tax assets are disclosed in Note 27.

## 4. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Sale of goods | 443,656,780 | 376,717,117 | - | - |
| Gross dividends from subsidiaries | - | - | 10,391,004 | 9,222,404 |
| Management fees from subsidiaries | - | - | 636,000 | 636,000 |
| | 443,656,780 | 376,717,117 | 11,027,004 | 9,858,404 |

## 5. Cost of sales

Cost of sales mainly represents cost of inventories sold.

## 6. Interest income

Interest income mainly represents interest income from short term placements and fixed deposits in banks.

## 7. Dividend income

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| Dividend income from:- | | |
| Available-for-sale financial assets | | |
| - Equity instruments (quoted in Malaysia) | 94,658 | 201,408 |
| - Equity instruments (unquoted outside Malaysia) | 154,786 | 515,128 |
| | 249,444 | 716,536 |

## 8. Other income

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Net fair value gain on available-for-sale financial asset (transferred from equity on disposal of investment securities) (Note 30) | 159,284 | - | - | - |
| Insurance claim | - | 22,550 | - | - |
| Gain on disposal of equity interest in an associate | - | 17,150 | - | - |
| Rental income receivable from investment properties | 142,000 | 132,000 | - | - |
| Gain on disposal of available-for-sale financial assets | 495,081 | - | - | - |
| Rental income receivable from operating leases, other than those relating to investment properties | 30,000 | 30,000 | - | - |
| Gain on disposal of property, plant and equipment | 71,558 | 188,872 | - | - |
| Miscellaneous | 147,205 | 59,286 | - | - |
| | 1,045,128 | 449,858 | - | - |

## 9. Finance costs

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Interest expense on: | | | | |
| Bank borrowings | - | 794 | - | - |
| Obligations under finance lease | 6,563 | 11,250 | - | - |
| Total interest expense | 6,563 | 12,044 | - | - |
| Bank charges | 509,169 | 523,946 | 309 | 656 |
| | 515,732 | 535,990 | 309 | 656 |

## 10. Profit before tax

The following items have been included in arriving at profit before tax:

| | Group 2011 RM | Group 2010 RM Restated | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| After charging/crediting: | | | | |
| Amortisation of prepaid land lease payments (Note 18) | 13,120 | 13,119 | - | - |
| Auditors' remuneration | | | | |
| - statutory audit | | | | |
| - current year | 88,500 | 84,000 | 15,000 | 13,000 |
| - underprovision in prior year | 3,000 | 6,000 | 3,000 | 6,000 |
| - others | | | | |
| - current year | 10,000 | 9,000 | 10,000 | 9,000 |
| - underprovision in prior year | - | 6,000 | - | 6,000 |
| Depreciation of: | | | | |
| - property, plant and equipment (Note 16) | 5,633,610 | 6,134,494 | 35,318 | 34,310 |
| - investment properties (Note 17) | 16,928 | 16,711 | - | - |
| Employee benefits expense (Note 11) | 43,184,103 | 39,881,694 | 200,328 | 115,361 |
| Impairment losses on investment securities (Note 21) | 20,285 | 143,143 | - | - |
| Net foreign exchange loss: | | | | |
| - realised | 770,912 | 1,203,590 | - | - |
| - unrealised | 140,605 | 13,732 | - | - |
| Non-executive directors' remuneration (Note 12) | 194,600 | 134,000 | 194,600 | 134,000 |
| Property, plant and equipment written off | 224,371 | 270,349 | - | - |
| Operating leases – minimum lease payments for: | | | | |
| - land and buildings | 783,181 | 938,324 | 141,300 | 141,300 |
| - plant and machinery | 47,846 | 73,500 | - | - |
| Reversal of impairment loss | (100,000) | (8,000) | - | - |

## 11. Employee benefits expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Wages and salaries | 39,557,945 | 36,965,026 | 107,650 | 99,500 |
| Social security contributions | 199,058 | 271,787 | 1,215 | 1,156 |
| Contributions to defined contribution plan | 2,331,176 | 2,229,077 | 12,924 | 11,940 |
| Share options granted under ESOS | 789,320 | - | 71,960 | - |
| Other benefits | 306,604 | 415,804 | 6,579 | 2,765 |
| | 43,184,103 | 39,881,694 | 200,328 | 115,361 |

Included in employee benefits expense of the Group is executive directors' remuneration amounting to RM5,585,522 (2010: RM5,334,222) as further disclosed in Note 12.

## 12. Directors' remuneration

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| **Directors of the Company:** | | | | |
| Executive: | | | | |
| Salaries, allowances and bonus | 4,211,000 | 4,211,000 | - | - |
| Defined contribution plan | 562,020 | 562,020 | - | - |
| Fees | 60,000 | 60,000 | - | - |
| Share options granted under ESOS | 194,600 | - | - | - |
| Other emoluments | 1,682 | 1,682 | - | - |
| | 5,029,302 | 4,834,702 | - | - |
| Benefits-in-kind | - | - | - | - |
| | 5,029,302 | 4,834,702 | - | - |
| Non-executive: | | | | |
| Fees | 108,000 | 116,000 | 108,000 | 116,000 |
| Share options granted under ESOS | 68,600 | - | 68,600 | - |
| Other emoluments | 18,000 | 18,000 | 18,000 | 18,000 |
| | 194,600 | 134,000 | 194,600 | 134,000 |

## 12. Directors' remuneration (cont'd)

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| **Directors of subsidiaries:** | | | | |
| Executive: | | | | |
| Salaries, allowances and bonus | 466,000 | 446,000 | - | - |
| Defined contribution plan | 55,920 | 53,520 | - | - |
| Share options granted under ESOS | 34,300 | - | - | - |
| | 556,220 | 499,520 | - | - |
| Benefits-in-kind | 7,800 | 7,800 | - | - |
| | 564,020 | 507,320 | - | - |
| Total directors' remuneration | 5,780,122 | 5,468,222 | 194,600 | 134,000 |
| Estimated money value of benefits-in-kind | 7,800 | 7,800 | - | - |
| Total directors' remuneration including benefits-in-kind | 5,787,922 | 5,476,022 | 194,600 | 134,000 |
| Total directors' remuneration: | | | | |
| Executive directors' remuneration (Note 11) | 5,585,522 | 5,334,222 | - | - |
| Non-executive directors' remuneration (Note 10) | 194,600 | 134,000 | 194,600 | 134,000 |
| Estimated money value of benefits-in-kind | 7,800 | 7,800 | - | - |
| Total directors' remuneration including benefits-in-kind | 5,787,922 | 5,476,022 | 194,600 | 134,000 |

| | Number of Directors 2011 | Number of Directors 2010 |
|---|---|---|
| Executive directors: | | |
| RM200,001 - RM250,000 | 1 | 1 |
| RM350,001 - RM400,000 | 1 | 1 |
| RM1,500,001 - RM2,500,000 | 2 | 2 |
| Non-executive directors: | | |
| Below RM50,000 | 4 | 4 |

## 13. Income tax expense

### Major components of income tax expense

The major components of income tax expense for the years ended 30 April 2011 and 2010 are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Current income tax: | | | | |
| Malaysia income tax | 5,880,287 | 5,253,765 | 2,039,583 | 1,212,976 |
| (Over)/underprovision in prior year | (343,081) | 12,874 | 1,969 | 5,328 |
| | 5,537,206 | 5,266,639 | 2,041,552 | 1,218,304 |
| Deferred tax (Note 27): | | | | |
| - Origination and reversal of temporary differences | 127,397 | 195,851 | 463 | 293 |
| - Relating to changes in tax rates | - | (201,687) | - | - |
| - Underprovision in respect of prior year | 334,147 | 42,016 | 138 | - |
| | 461,544 | 36,180 | 601 | 293 |
| Income tax expense recognised in profit or loss | 5,998,750 | 5,302,819 | 2,042,153 | 1,218,597 |

### Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 April 2011 and 2010 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Profit before tax | 23,258,895 | 21,798,410 | 10,075,802 | 9,056,160 |
| Taxation at Malaysian statutory tax rate of 25% (2010: 25%) | 5,814,724 | 5,449,603 | 2,518,951 | 2,264,040 |
| Adjustments: | | | | |
| Income not subject to tax | (239,273) | (424,193) | (557,751) | (1,105,601) |
| Expenses not deductible for tax purposes | 628,186 | 524,736 | 78,846 | 54,830 |
| Utilisation of current year's reinvestment allowances | (189,953) | (302,217) | - | - |
| Expenses allowable for double deductions | (6,000) | - | - | - |
| (Over)/underprovision of income tax expense in prior year | (343,081) | 12,874 | 1,969 | 5,328 |
| Underprovision of deferred tax in prior year | 334,147 | 42,016 | 138 | - |
| Income tax expense recognised in profit or loss | 5,998,750 | 5,302,819 | 2,042,153 | 1,218,597 |

Domestic current income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

## 14. Earnings per share

The basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The diluted earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 30 April 2011 and 2010:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| Profit net of tax attributable to owners of the parent used in the computation of diluted earnings per share | 17,258,575 | 16,495,152 |
| Weighted average number of ordinary shares for basic earnings per share computation | 103,589,521 | 103,575,000 |
| Effects of dilution: | | |
| - Share options | 288,605 | - |
| Weighted average number of ordinary shares for diluted earnings per share computation | 103,878,126 | 103,575,000 |
| Basis earnings per share (sen) | 16.7 | 15.9 |
| Diluted earnings per share (sen) | 16.6 | 15.9 |

Since the end of the financial year, share options grantees have exercised the options to acquire 4,887,900 ordinary shares. All the remaining share options have since expired subsequent to year end on 17 July 2011. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

## 15. Dividends

| Group and Company | Dividend in respect of year 2010 RM | 2009 RM | Dividend recognised in year 2011 RM | 2010 RM |
|---|---|---|---|---|
| First and final tax exempt dividend of 5%, approved on 29 October 2009 and paid on 25 November 2009 (5.0 sen net per ordinary share) | - | 5,178,750 | - | 5,178,750 |
| First and final tax exempt dividend of 3% and dividend of 6% less 25% taxation approved on 27 October 2010 and paid on 25 November 2010 (7.5 sen net per ordinary share) | 7,770,000 | - | 7,770,000 | - |
| | 7,770,000 | 5,178,750 | 7,770,000 | 5,178,750 |

At the forthcoming Annual General Meeting, a first and final dividend in respect of the current year financial year ended 30 April 2011, of 8% less 25% taxation on 108,487,900 ordinary shares (the number of outstanding ordinary shares in issue of the Company after exercise of 4,887,900 employees' share options subsequent to year) amounting to RM6,509,274 (6 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 30 April 2012.

16. **Property, plant and equipment**

| Group | Freehold land RM | Buildings RM | Short term leasehold land RM | Plant and machinery, electrical and piping installations RM | Office furniture, fittings, equipment and renovation RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|---|
| **At 30 April 2011** | | | | | | | |
| **Cost/Valuation** | | | | | | | |
| At 1 May 2010 | 6,819,133 | 31,235,508 | - | 73,677,960 | 14,065,035 | 8,150,328 | 133,947,964 |
| Effect of adopting the amendments to FRS 117 | - | - | 3,450,000 | - | - | - | 3,450,000 |
| Restated | 6,819,133 | 31,235,508 | 3,450,000 | 73,677,960 | 14,065,035 | 8,150,328 | 137,397,964 |
| Additions | - | 342,582 | - | 2,642,954 | 844,617 | 1,408,831 | 5,238,984 |
| Disposals | - | - | - | (1,062,184) | (15,358) | (609,923) | (1,687,465) |
| Write off | - | - | - | (438,327) | (118,905) | - | (557,232) |
| At 30 April 2011 | 6,819,133 | 31,578,090 | 3,450,000 | 74,820,403 | 14,775,389 | 8,949,236 | 140,392,251 |
| Representing: | | | | | | | |
| At cost | 6,819,133 | 29,938,090 | 3,450,000 | 71,792,158 | 14,769,679 | 8,941,236 | 135,710,296 |
| At valuation | - | 1,640,000 | - | 3,028,245 | 5,710 | 8,000 | 4,681,955 |
| | 6,819,133 | 31,578,090 | 3,450,000 | 74,820,403 | 14,775,389 | 8,949,236 | 140,392,251 |

16. **Property, plant and equipment** (cont'd)

| | Freehold land RM | Buildings RM | Short term leasehold land RM | Plant and machinery, electrical and piping installations RM | Office furniture, fittings, equipment and renovation RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | |
| At 1 May 2010 | - | 7,381,753 | - | 50,229,678 | 8,806,760 | 6,036,343 | 72,454,534 |
| Effect of adopting the amendments to FRS 117 | - | - | 492,858 | - | - | - | 492,858 |
| Restated | - | 7,381,753 | 492,858 | 50,229,678 | 8,806,760 | 6,036,343 | 72,947,392 |
| Depreciation charge for the year (Note 10) | - | 627,079 | 82,143 | 3,011,050 | 942,606 | 970,732 | 5,633,610 |
| Disposals | - | - | - | (851,647) | (15,356) | (609,920) | (1,476,923) |
| Write off | - | - | - | (214,270) | (118,591) | - | (332,861) |
| At 30 April 2011 | - | 8,008,832 | 575,001 | 52,174,811 | 9,615,419 | 6,397,155 | 76,771,218 |
| **Net carrying amount** | | | | | | | |
| At cost | 6,819,133 | 22,659,058 | 2,874,999 | 22,645,592 | 5,159,970 | 2,552,081 | 62,710,833 |
| At valuation | - | 910,200 | - | - | - | - | 910,200 |
| At 30 April 2011 | 6,819,133 | 23,569,258 | 2,874,999 | 22,645,591 | 5,159,970 | 2,552,081 | 63,621,033 |

## 16. Property, plant and equipment (cont'd)

| At 30 April 2010 | Freehold land RM | Buildings RM | Short term leasehold land RM | Plant and machinery, electrical and piping installations RM | Office furniture, fittings, equipment and renovation RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | |
| At 1 May 2009 | 6,819,133 | 30,661,949 | - | 73,446,240 | 14,730,381 | 7,728,087 | 133,385,790 |
| Effect of adopting the amendments to FRS 117 | - | - | 3,450,000 | - | - | - | 3,450,000 |
| Restated | 6,819,133 | 30,661,949 | 3,450,000 | 73,446,240 | 14,730,381 | 7,728,087 | 136,835,790 |
| Additions | - | 597,671 | - | 3,466,619 | 2,237,079 | 1,039,341 | 7,340,710 |
| Disposals | - | - | - | (75,722) | (20,714) | (587,070) | (683,506) |
| Write off | - | (24,112) | - | (3,159,177) | (2,881,711) | (30,030) | (6,095,030) |
| At 30 April 2010 | 6,819,133 | 31,235,508 | 3,450,000 | 73,677,960 | 14,065,035 | 8,150,328 | 137,397,964 |
| Representing: | | | | | | | |
| At cost | 6,819,133 | 29,595,508 | 3,450,000 | 70,649,715 | 14,059,325 | 8,142,328 | 132,716,009 |
| At valuation | - | 1,640,000 | - | 3,028,245 | 5,710 | 8,000 | 4,681,955 |
| | 6,819,133 | 31,235,508 | 3,450,000 | 73,677,960 | 14,065,035 | 8,150,328 | 137,397,964 |

## 16. Property, plant and equipment (cont'd)

| | Freehold land RM | Buildings RM | Short term leasehold land RM | Plant and machinery, electrical and piping installations RM | Office furniture, fittings, equipment and renovation RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | |
| At 1 May 2009 | - | 6,764,435 | - | 49,528,188 | 10,691,924 | 5,911,434 | 72,895,981 |
| Effect of adopting the amendments to FRS 117 | - | - | 410,715 | - | - | - | 410,715 |
| Restated | - | 6,764,435 | 410,715 | 49,528,188 | 10,691,924 | 5,911,434 | 73,306,696 |
| Depreciation charge for the year (Note 10) | - | 619,263 | 82,143 | 3,812,849 | 878,242 | 741,997 | 6,134,494 |
| Disposals | - | - | - | (68,529) | (13,528) | (587,060) | (669,117) |
| Write off | - | (1,945) | - | (3,042,830) | (2,749,878) | (30,028) | (5,824,681) |
| At 30 April 2010 | - | 7,381,753 | 492,858 | 50,229,678 | 8,806,760 | 6,036,343 | 72,947,392 |
| **Net carrying amount** | | | | | | | |
| At cost | 6,819,133 | 22,910,755 | 2,957,142 | 23,448,282 | 5,258,275 | 2,113,985 | 63,507,572 |
| At valuation | - | 943,000 | - | - | - | - | 943,000 |
| At 30 April 2010 | 6,819,133 | 23,853,755 | 2,957,142 | 23,448,282 | 5,258,275 | 2,113,985 | 64,450,572 |

**16. Property, plant and equipment** (cont'd)

| **Company** | **Office equipment and renovation RM** | **Motor vehicles RM** | **Total RM** |
|---|---|---|---|
| **At 30 April 2011** | | | |
| **Cost** | | | |
| At 1 May 2010 | 270,009 | 568,667 | 838,676 |
| Additions | 16,237 | - | 16,237 |
| At 30 April 2011 | 286,246 | 568,667 | 854,913 |
| **Accumulated depreciation** | | | |
| At 1 May 2010 | 258,692 | 480,848 | 739,540 |
| Depreciation charge for the year (Note 10) | 6,038 | 29,280 | 35,318 |
| At 30 April 2011 | 264,730 | 510,128 | 774,858 |
| **Net carrying amount** | | | |
| At 30 April 2011 | 21,516 | 58,539 | 80,055 |
| **At 30 April 2010** | | | |
| **Cost** | | | |
| At 1 May 2009 | 268,169 | 568,667 | 836,836 |
| Additions | 1,840 | - | 1,840 |
| At 30 April 2010 | 270,009 | 568,667 | 838,676 |
| **Accumulated depreciation** | | | |
| At 1 May 2009 | 253,662 | 451,568 | 705,230 |
| Depreciation charge for the year (Note 10) | 5,030 | 29,280 | 34,310 |
| At 30 April 2010 | 258,692 | 480,848 | 739,540 |
| **Net carrying amount** | | | |
| At 30 April 2010 | 11,317 | 87,819 | 99,136 |

## 16. Property, plant and equipment (cont'd)

(a) Certain property, plant and equipment of the Group were revalued in 1979 and 1989 respectively by an independent firm of professional valuers based on fair market value. Had the revalued property, plant and equipment been carried at historical cost less accumulated depreciation, the net carrying amount that would have been included in the financial statements of the Group would be as follows:

| | 2011 RM | 2010 RM |
|---|---|---|
| Buildings | 641,746 | 674,350 |
| Plant and machinery, electrical and piping installations | - | - |
| Office furniture, fittings, equipment and renovation | - | - |
| Motor vehicles | - | - |
| Total | 641,746 | 674,350 |

(b) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM19,617,151 (2010: RM14,322,518) and RM671,367 (2010: RM670,867) respectively.

(c) Included in property, plant and equipment of the Group in prior year were motor vehicles with net carrying amounts of RM409,375 held under obligations of finance leases arrangements.

(d) As at 30 April 2011, a parcel of freehold land of a subsidiary with net carrying amount of RM100,000 (2010: RM100,000) is in the process of being transferred to the name of the subsidiary.

(e) The net carrying amounts of property, plant and equipment of the Group pledged as securities for banking facilities granted to the subsidiaries are as follows:

| | Group | |
|---|---|---|
| | 2011 RM | 2010 RM Restated |
| Freehold land | 2,695,000 | 2,695,000 |
| Short term leasehold land | 2,874,999 | 2,957,142 |
| Buildings | 14,672,221 | 14,709,174 |
| Plant and machinery, electrical and piping installations | 4,638,164 | 4,098,058 |
| Office furniture, fittings, equipment and renovation | 4,457,557 | 4,512,962 |
| Motor vehicles | 1,509,021 | 851,629 |
| | 30,846,962 | 29,823,965 |

# Notes to the Financial Statements (cont'd)
For the financial year ended 30 April 2011

## 17. Investment properties

| | Group 2011 RM | 2010 RM |
|---|---|---|
| **Cost** | | |
| At 1 May | 214,377 | 214,377 |
| Additions | 9,277 | - |
| At 30 April | 223,654 | 214,377 |
| **Accumulated depreciation** | | |
| At 1 May | 47,919 | 31,208 |
| Depreciation charge for the year (Note 10) | 16,928 | 16,711 |
| At 30 April | 64,847 | 47,919 |
| Net carrying amount | 158,807 | 166,458 |

The investment properties have an open market value of approximately RM981,280 (2010: RM838,000).

The investment properties comprise buildings held by a subsidiary under lease terms and leased to a third party (Note 32(c)).

Direct operating expenses incurred by the Group on the investment properties during the financial year amounted to RM26,321 (2010: RM26,105).

## 18. Prepaid land lease payments

| | Group 2011 RM | 2010 RM Restated |
|---|---|---|
| At 1 May | 3,627,505 | 3,722,767 |
| Effect of adopting the amendments to FRS 117 | (2,957,142) | (3,039,285) |
| Restated | 670,363 | 683,482 |
| Amortisation for the year (Note 10) | (13,120) | (13,119) |
| At 30 April | 657,243 | 670,363 |
| Analysed as: | | |
| Long term leasehold land | 456,896 | 464,635 |
| Short term leasehold land | 200,347 | 205,728 |
| | 657,243 | 670,363 |

Leasehold land with an aggregate net carrying amount of RM362,255 (2010: RM368,828) are pledged as security for banking facilities granted to the subsidiaries.

## 19. Investments in subsidiaries

| | Company 2011 RM | Company 2010 RM |
|---|---|---|
| Unquoted shares at cost | 85,350,412 | 85,350,412 |
| ESOS granted to employees of subsidiaries | 717,360 | - |
| | 86,067,772 | 85,350,412 |

Details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Principal activities | Proportion of ownership interest (%) 2011 | Proportion of ownership interest (%) 2010 |
|---|---|---|---|---|
| South Island Packaging (Penang) Sdn. Bhd. ** | Malaysia | Manufacturing and distribution of inner packaging boxes for industrial and commercial uses | 99.64 | 99.64 |
| South Island Plastics Sdn. Bhd. ** | Malaysia | Manufacturing and distribution of flexible plastic packaging materials for industrial and commercial uses | 100 | 100 |
| Inter-Pacific Packaging Sdn. Bhd. * | Malaysia | Manufacturing and distribution of corrugated fibre board cartons and boxes for industrial and commercial uses | 100 | 100 |
| South Island Garment Sdn. Bhd. ** | Malaysia | Manufacturing and sales of garments | 100 | 100 |

* Audited by Ernst & Young, Malaysia
** Audited by firms of auditors other than Ernst & Young, Malaysia

## 20. Investment in associate

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Unquoted shares at cost: | | | | |
| - in Malaysia | 5,870,000 | 5,870,000 | 5,870,000 | 5,870,000 |
| - outside Malaysia | - | - | - | - |
| | 5,870,000 | 5,870,000 | 5,870,000 | 5,870,000 |
| Share of post-acquisition reserves | (3,186,149) | (3,186,149) | - | - |
| | 2,683,851 | 2,683,851 | 5,870,000 | 5,870,000 |
| Less: Accumulated impairment losses | (2,683,851) | (2,683,851) | (5,870,000) | (5,870,000) |
| | - | - | - | - |

Details of the associate are as follows:

| Name of associate | Country of incorporation | Principal activities | Proportion of ownership interest (%) 2011 | Proportion of ownership interest (%) 2010 |
|---|---|---|---|---|
| GPS Tech Solutions Sdn. Bhd. ("GPS Tech") * | Malaysia | Designing, developing and marketing of global positioning system products. | 26.26 | 26.26 |

* Audited by firm of auditors other than Ernst & Young, Malaysia

**Disposal of equity interest in an associate**

In the previous financial year, on 1 November 2009, the Group disposed its 4.66% equity interest in an associate, Vinh Tien Garment Joint Stock Company ("Vinh Tien") to a third party, for a cash consideration of RM330,767 where the gain arising from the disposal amounted to RM17,150. Following the disposal, the Group's equity interest in Vinh Tien was reduced from 23.66% to 19.00% accordingly and the Group ceased to have significant influence over the associate. As a result, the Group no longer equity accounts for the results of Vinh Tien and the Group's investment in Vinh Tien is classified as other investments since the previous financial year.

The summarised financial information of the associate is as follows:

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| **Share of associates' statements of financial position:** | | |
| Current assets | - | 581,574 |
| Non-current assets | - | 459,026 |
| Total assets | - | 1,040,600 |

## 20. Investment in associate (cont'd)

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| Current liabilities | - | 1,380,837 |
| Non-current liabilities | - | 13,798 |
| Total liabilities | - | 1,394,635 |
| **Share of associates' losses:** | | |
| Revenue | - | 2,487,660 |
| Profit for the year | - | 220,480 |

Since the previous financial year, the Group has not recognised losses relating to GPS Tech where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the reporting date was RM2,376,550 (2010: RM1,499,868), of which RM876,682 (2010: RM1,079,270) was the share of current year's losses. The Group has no obligation in respect of these losses.

## 21. Investment securities

| Group | 2011 RM Carrying Amount | 2011 RM Market value of quoted investments | 2010 RM Carrying Amount * | 2010 RM Market value of quoted investments |
|---|---|---|---|---|
| **Current:** | | | | |
| Fair value through profit and loss financial assets | | | | |
| - Investment in unit trust, quoted | 1,000,000 | 1,000,000 | - | - |
| **Non-current:** | | | | |
| Available-for-sale financial assets: | | | | |
| Equity instruments (quoted in Malaysia) | 1,356,426 | 1,356,426 | 1,657,766 | 1,955,314 |
| Unquoted equity instruments, at cost: | | | | |
| - in Malaysia | 1,232,000 | | 1,232,000 | |
| - outside Malaysia | 10,524,633 | | 10,524,633 | |
| | 11,756,633 | | 11,756,633 | |
| Less: Accumulated impairment losses | (1,099,782) | | (1,079,497) | |
| | 10,656,851 | | 10,677,136 | |
| Total non-current investment securities | 12,013,277 | | 12,334,902 | |
| Total investment securities | 13,013,277 | | 12,334,902 | |

* Prior to 1 May 2010, the non-current investments are stated at costs less accumulated impairment losses.

## 22. Inventories

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| **Cost:** | | |
| Raw materials | 12,518,139 | 11,338,353 |
| Work-in-progress | 45,687,504 | 31,280,138 |
| Finished goods | 1,368,770 | 1,032,377 |
| Consumables, tools and spare parts | 524,254 | 688,181 |
| | 60,098,667 | 44,339,049 |

## 23. Trade and other receivables

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| **Trade** | | | | |
| Third parties | 53,441,426 | 48,270,233 | - | - |
| Less: Allowance for impairment | (865,843) | (965,843) | - | - |
| Trade receivables, net | 52,575,583 | 47,304,390 | - | - |
| **Other receivables** | | | | |
| Due from subsidiaries | - | - | 44,997,241 | 44,463,100 |
| Sundry deposits | 325,050 | 328,349 | 8,914 | 7,345 |
| Prepayments | 1,804,652 | 1,189,774 | - | - |
| Sundry receivables | 478,692 | 102,927 | - | - |
| | 2,608,394 | 1,621,050 | 45,006,155 | 44,470,445 |
| **Total trade and other receivables** | 55,183,977 | 48,925,440 | 45,006,155 | 44,470,445 |
| Add: Cash and bank balances (Note 24) | 18,194,250 | 21,603,831 | 308,528 | 444,937 |
| Less: Prepayments | (1,804,652) | (1,189,774) | - | - |
| **Total loans and receivables** | 71,573,575 | 69,339,497 | 45,314,683 | 44,915,382 |

### (a) Trade receivables

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are on cash and credit basis. The Group's normal trade credit terms range from 15 to 120 days (2010: 21 to 150 days). They are recognised at their original invoice amounts which represent the fair values on initial recognition. As at 30 April 2011, the Group has significant exposure to one (2010: two) debtor which constitute approximately 45% (2010: 43%) of the trade receivables.

**23. Trade and other receivables** (cont'd)

**(a) Trade receivables** (cont'd)

Ageing analysis of trade receivables

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

| | **2011 RM** |
|---|---|
| Neither past due nor impaired | 34,602,947 |
| 1 to 30 days past due not impaired | 9,139,162 |
| 31 to 60 days past due not impaired | 3,413,909 |
| 61 to 90 days past due not impaired | 3,787,796 |
| More than 90 days past due not impaired | 1,236,898 |
| | 17,577,765 |
| Impaired | 1,260,714 |
| | 53,441,426 |

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. All of the Group's trade receivables arise from customers with more than two years of experience with the Group and losses have occurred infrequently.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM17,577,765 that are past due at the reporting date but not impaired. These relate to customers with more than two years experience with the Group and of whom there are no recent history of default and are monitored on an on-going basis. The receivables balances that are past due but not impaired are unsecured in nature.

Receivables that are impaired

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

| **Group** | **2011 RM** |
|---|---|
| **Individually impaired** | |
| Trade receivables - nominal amounts | 1,260,714 |
| Less: Allowance for impairment | (865,843) |
| | 394,871 |
| Movement in allowance accounts: | |
| At 1 May | 965,843 |
| Reversal of impairment loss (Note 10) | (100,000) |
| At 30 April | 865,843 |

## 23. Trade and other receivables (cont'd)

### (a) Trade receivables (cont'd)

Receivables that are impaired (cont'd)

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

### (b) Amounts due from subsidiaries

The amounts due from subsidiaries relate to advances which are unsecured, non-interest bearing and are repayable upon demand.

Further details on related party transactions are disclosed in Note 34.

## 24. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2011<br>RM | 2010<br>RM | 2011<br>RM | 2010<br>RM |
| Cash on hand and at banks | 2,048,774 | 6,687,569 | 122,498 | 44,007 |
| Deposits with licensed banks: | | | | |
| - fixed deposits | 186,030 | 400,930 | 186,030 | 400,930 |
| - short term placements | 15,959,446 | 14,515,332 | - | - |
| Total cash and bank balances | 18,194,250 | 21,603,831 | 308,528 | 444,937 |

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Fixed deposits are made for varying periods of between 1 month to 12 months. The interest rates for fixed deposits for the Group and Company range from 2.15% to 2.60% (2010: 2.15% to 2.60%) per annum.

Short term placements are made for varying periods of between 3 days to 30 days depending on the immediate cash requirements of the Group, and earn interest at the respective short-term placements rates. The interest rates for short-term placements as at 30 April 2011 for the Group range from 0.10% to 2.90% (2010: 0.10% tol 2.60%) per annum.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011<br>RM | 2010<br>RM | 2011<br>RM | 2010<br>RM |
| Cash and bank balances | 18,194,250 | 21,603,831 | 308,528 | 444,937 |

## 25. Borrowings

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| **Short term borrowings** | | |
| Secured: | | |
| Obligation under finance leases | - | 97,204 |
| **Total loans and borrowings (Note 26)** | - | 97,204 |

Further details on the obligations under finance leases are disclosed in Note 32(d).

## 26. Trade and other payables

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| **Trade** | | | | |
| Third parties | 39,907,918 | 33,393,878 | - | - |
| **Other payables** | | | | |
| Accruals | 3,981,220 | 2,741,303 | 18,000 | 16,000 |
| Sundry payables | 2,934,538 | 2,682,628 | 64,056 | 29,854 |
| | 6,915,758 | 5,423,931 | 82,056 | 45,854 |
| Total trade and other payables | 46,823,676 | 38,817,809 | 82,056 | 45,854 |
| Add: Borrowings (Note 25) | - | 97,204 | - | - |
| Less: Non contractual payroll costs | (609,496) | (586,030) | - | - |
| Total financial liabilities carried at amortised cost | 46,214,180 | 38,328,983 | 82,056 | 45,854 |

### (a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days (2010: 30 days to 90 days).

### (b) Other payables

The amounts are non-interest bearing.

Further details on related party transactions are disclosed in Note 34.

## 27. Deferred tax liabilities

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| At 1 May | 6,903,894 | 6,867,714 | 10,895 | 10,602 |
| Recognised in income statement (Note 13) | 461,544 | 36,180 | 601 | 293 |
| At 30 April | 7,365,438 | 6,903,894 | 11,496 | 10,895 |

Presented after appropriate offsetting as follows:

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Deferred tax assets | - | - | - | - |
| Deferred tax liabilities | 7,365,438 | 6,903,894 | 11,496 | 10,895 |
| | 7,365,438 | 6,903,894 | 11,496 | 10,895 |

The components and movements of deferred tax liabilities and assets of the Group during the financial year prior to offsetting are as follows:

**Deferred tax liabilities/(assets) of the Group:**

| | Property, plant and equipment RM | Payables RM | Unabsorbed capital allowances RM | Receivables RM | Others RM | Total RM |
|---|---|---|---|---|---|---|
| At 1 May 2010 | 7,407,301 | (196,955) | (439,000) | 161,914 | (29,366) | 6,903,894 |
| Recognised in income statement | 290,138 | 10,041 | 130,000 | 25,000 | 6,365 | 461,544 |
| At 30 April 2011 | 7,697,439 | (186,914) | (309,000) | 186,914 | (23,001) | 7,365,438 |
| At 1 May 2009 | 7,559,412 | (192,000) | (637,000) | 161,914 | (24,612) | 6,867,714 |
| Recognised in income statement | (152,111) | (4,955) | 198,000 | - | (4,754) | 36,180 |
| At 30 April 2010 | 7,407,301 | (196,955) | (439,000) | 161,914 | (29,366) | 6,903,894 |

At the reporting date, the Group has unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowances amounting to approximately RM4,694,000 (2010: RM5,213,000) that are available for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the following items:

| Group | 2011 RM | 2010 RM |
|---|---|---|
| Unused tax losses | 760,000 | 760,000 |
| Unabsorbed capital allowances | 501,000 | 1,020,000 |
| Unutilised reinvestment allowances | 3,433,000 | 3,433,000 |
| | 4,694,000 | 5,213,000 |

## 27. Deferred tax liabilities (cont'd)

The unused tax losses and unabsorbed capital allowances of the Group are available for offsetting against future taxable profits subject to no substantial change in shareholdings of the respective subsidiary under the Income Tax Act, 1967 and guidelines issued by the tax authority.

**Deferred tax liabilities of the Company:**

| | Plant and equipment RM |
|---|---|
| At 1 May 2010 | 10,895 |
| Recognised in profit or loss | 601 |
| At 30 April 2011 | 11,496 |
| At 1 May 2009 | 10,602 |
| Recognised in profit or loss | 293 |
| At 30 April 2010 | 10,895 |

## 28. Employee benefits

**Employee share options scheme ("ESOS")**

The Company's ESOS is governed by the bye-laws approved by the shareholders at an Extraordinary General Meeting held on 12 April 2001. The ESOS was implemented on 18 July 2001 and is to be in force for a period of 10 years from the date of implementation.

Subsequently, the Company had announced its proposal to make amendments to certain provisions of the bye-laws of the ESOS. The Company has proposed to include the participation of the Non-Executive Directors of the Company and its subsidiaries (other than dormant subsidiaries) in its ESOS. Pursuant to this, the Company has also proposed to amend certain clauses in the Articles of Association ("AA") of the Company.

The above proposals were approved by the shareholders of the Company at the Extraordinary General Meeting held on 8 August 2006. Following this, non-executive directors have been granted options to subscribe for 100,000 ordinary shares of RM1.00 each of the Company.

The main features of the ESOS of the Company are as follows:

(a) "Person eligible to participate in the Scheme" shall comprise :

(i) Any Non executive Director nominated by the ESOS Committee at its absolute discretion; and

**28. Employee benefits** (cont'd)

**Employee share options scheme ("ESOS")** (cont'd)

(a) (ii) Only Employee who fulfill the following conditions shall be eligible to participate in the Scheme:-

- An employee must be at least eighteen (18) years of age on the Date of Offer;

- An employee must fall under one of the categories of employees listed in Bye-Law 6.1;

- An employee must have been employed for a continuous period of at least one (1) year in the Group on a full time basis and his employment must have been confirmed on the Date of Offer;

Employee refers to a natural person who is employed by and on the payroll of any company in the Group and who fulfills the conditions of eligibility in Bye-Law 5.1 (ii). Employees include full time Executive Directors.

(b) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS, this shall be in force for a period of ten years from the effective date.

(c) The option price for each share shall be the higher of the following:

(i) at a discount of not more than 10% from the weighted average market quotation of the shares of the Company as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five trading days preceding the date of the offer; or

(ii) the par value of the shares.

(d) No offer shall be granted for less than 100 shares nor more than 500,000 shares to any eligible employee.

(e) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company before the expiry of ten years from the date of the offer or such shorter period as may be specified in such offer.

(f) The number of shares under option or the option price or both, so far as the options remain unexercised, may be adjusted following any variation in the issued share capital of the Company by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of the Company's shares made by the Company.

(g) The shares under option shall remain unissued until the options are exercised and shall, on allotment, rank pari passu in all respects with the existing shares of the Company at the time of allotment save that they will not entitle the holders thereof to receive any rights and bonus issues announced or to any dividend or other distribution declared to the shareholders of the Company as at a date which precedes the date of the exercise of the options.

**28. Employee benefits** (cont'd)

**Employee share options scheme ("ESOS")** (cont'd)

The following table illustrates the number ("no") and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

| | Option 1 | Option 2 | Option 3 | | |
|---|---|---|---|---|---|
| **Grant Date** | 18 July 2001 | 18 August 2006 | 3 January 2011 | | |
| **Expiry Date** | 17 July 2011 | 17 July 2011 | 17 July 2011 | Total | WAEP |
| | No. | No. | No. | No. | RM |
| **2011** | | | | | |
| Outstanding as at 1 May 2010 | 385,500 | 50,000 | - | 435,500 | 1.00 |
| Granted | - | - | 5,638,000 | 5,638,000 | 1.01 |
| Exercised | - | (25,000) | - | (25,000) | 1.00 |
| Forfeited | (197,500) | - | - | (197,500) | 1.00 |
| Outstanding as at 30 April 2011 | 188,000 | 25,000 | 5,638,000 | 5,851,000 | 1.01 |
| Exercisable at 30 April 2011 | 188,000 | 25,000 | 5,638,000 | 5,851,000 | 1.01 |

| | Option 1 | Option 2 | Option 3 | | |
|---|---|---|---|---|---|
| **Grant Date** | 18 July 2001 | 18 August 2006 | 3 January 2011 | | |
| **Expiry Date** | 17 July 2011 | 17 July 2011 | 17 July 2011 | Total | WAEP |
| | No. | No. | No. | No. | RM |
| **2010** | | | | | |
| Outstanding as at 1 May 2009 | 385,500 | 75,000 | - | 460,500 | 1.00 |
| Forfeited | - | (25,000) | - | (25,000) | 1.00 |
| Outstanding as at 30 April 2010 | 385,500 | 50,000 | - | 435,500 | 1.00 |
| Exercisable at 30 April 2010 | 385,500 | 50,000 | - | 435,500 | 1.00 |

## 28. Employee benefits (cont'd)

### Employee share options scheme ("ESOS") (cont'd)

#### i. Details of share options outstanding at the end of the year:

| 2011 and 2010 | WAEP RM | Exercise period |
|---|---|---|
| Option 1 | 1.00 | 18.7.2001 – 17.7.2011 |
| Option 2 | 1.00 | 18.8.2006 – 17.7.2011 |
| Option 3 | 1.01 | 3.1.2011 – 17.7.2011 |

#### ii. Share options exercised during the year and subsequent to year end

As disclosed in Note 29, options exercised during the financial year resulted in issuance of 25,000 (2010: Nil) ordinary shares at an average price of RM1.00 (2010: Nil) each. The related weighted average share price at the date of exercise was RM1.23 (2010: Not applicable).

Subsequent to year end, a total of 4,887,900 options were exercised at an average price of RM1.01 each and all the remaining 963,100 vested and unexercised share options have expired on 17 July 2011.

#### iii. Fair value of share options granted during the year

The fair value of the share options granted during the year was estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the option pricing model for the year ended 30 April 2011:

| Option 3 | 2011 |
|---|---|
| Dividend yield (%) | 9 |
| Expected volatility (%) | 28.9 |
| Risk-free interest rate (% p.a.) | 2.9 |
| Expected life of option (years) | 0.53 |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

## 29. Share capital and share premium

| | Number of ordinary shares of RM1 each Share capital (issued and fully paid) | Amount Share capital (issued and fully paid) RM | Share premium RM | Total share capital and share premium RM |
|---|---|---|---|---|
| At 1 May 2009, 30 April 2010 and 1 May 2010 | 103,575,000 | 103,575,000 | 3,048,336 | 106,623,336 |
| Exercise of employee share options (Note 28) | 25,000 | 25,000 | - | 25,000 |
| At 30 April 2011 | 103,600,000 | 103,600,000 | 3,048,336 | 106,648,336 |

| | Number of ordinary shares of RM1 each 2011 | 2010 | Amount 2011 RM | 2010 RM |
|---|---|---|---|---|
| **Authorised share capital** | | | | |
| At 30 April 2010 and 30 April 2011 | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## 30. Other reserves (non-distributable)

| Group | Share option reserve RM | Fair value reserve RM | Total RM |
|---|---|---|---|
| **At 1 May 2009, 30 April 2010 and 1 May 2010** | 22,184 | - | 22,184 |
| Effect of adopting FRS 139 | - | 297,498 | 297,498 |
| **Restated** | 22,184 | 297,498 | 319,682 |
| **Other comprehensive income:** | | | |
| **Available-for-sale financial assets:** | | | |
| Loss on fair value changes in available-for- sale financial assets | - | (112,500) | (112,500) |
| Transfer to profit or loss upon disposal | - | (159,284) | (159,284) |
| | - | (271,784) | (271,784) |
| **Transaction with owners** | | | |
| Grant of equity-settled share options to employees | 789,320 | - | 789,320 |
| | 789,320 | - | 789,320 |
| **At 30 April 2011** | 811,504 | 25,714 | 837,218 |

## 30. Other reserves (non-distributable) (cont'd)

| Company | Share option reserve RM | Capital reserve RM | Total RM |
|---|---|---|---|
| **At 1 May 2009, 30 April 2010 and 1 May 2010** | 22,184 | 15,824,999 | 15,847,183 |
| Grant of equity-settled share options to employees | 789,320 | - | 789,320 |
| **At 30 April 2011** | 811,504 | 15,824,999 | 16,636,503 |

**Share option reserve**

The employee share option reserve represents the equity-settled share options granted to employees (Note 28). This reserve is made up of the cumulative value of services received from employees recorded on grant of share options, and reduced by the expiry or exercise of the share options.

**Fair value reserve**

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

**Company**

**Capital reserve**

The capital reserve arose from the issuance of shares of the Company at fair value at the date of exchange for investments in certain subsidiaries accounted for under the merger method.

## 31. Retained earnings

As at 30 April 2011, the Company has tax exempt profits available for distribution of approximately RM11,598,000 (2010: RM12,475,000), subject to the agreement of the Inland Revenue Board.

Prior to year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 30 April 2011 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 30 April 2011, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

## 32. Commitments

### a) Capital commitments

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| Approved and contracted for: | | |
| Property, plant and equipment | - | 156,605 |

### b) Operating lease commitments – as lessee

The Group has entered into commercial leases on certain land and buildings. These leases have an average life of 1 to 2 years. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancelled operating leases at the reporting date are as follows:

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| Future minimum rentals payable: | | |
| Payable within one year | 406,550 | 207,850 |

### c) Operating lease commitments - as lessor

The Group has entered into non-cancellable operating lease agreements on its investment properties portfolio. These leases have remaining non-cancellable lease term of 1 to 2 years.

Future minimum rental receivable under non-cancelled operating leases at the reporting dates are as follows:

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| Not later than 1 year | 156,000 | 77,000 |
| Later than 1 year and not later than 5 years | 91,000 | - |
| | 247,000 | 77,000 |

Investment property rental income recognised in profit or loss during the financial year is as disclosed in Note 8.

## 32. Commitments (cont'd)

### d) Finance lease commitments

The Group has finance leases for certain motor vehicles (Note 16). The leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

| | Group | |
|---|---|---|
| | 2011<br>RM | 2010<br>RM |
| **Minimum hire purchase payments:** | | |
| Not later than 1 year | - | 103,767 |
| Later than 1 year and not later than 2 years | - | - |
| | - | 103,767 |
| Less: Future finance charges | - | (6,563) |
| Present value of hire-purchase liabilities | - | 97,204 |
| **Present value of hire purchase liabilities:** | | |
| Not later than 1 year | - | 97,204 |
| Later than 1 year and not later than 2 years | - | - |
| | - | 97,204 |

## 33. Contingencies

### Contingent liabilities (unsecured)

| | Company | |
|---|---|---|
| | 2011<br>RM | 2010<br>RM |
| Corporate guarantees given as securities for banking facilities granted to subsidiaries | - | 3,306,545 |

## 34. Related party disclosure

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

| Group | Note | 2011 RM | 2010 RM |
|---|---|---|---|
| Sales of finished goods to companies in which certain directors have interests: | | | |
| - South Island Building Sdn. Bhd. | (i) | 9,846 | 8,553 |
| - Yong Guan Heng & Co. Sdn. Bhd. | (i) | 459,454 | 364,417 |
| Purchase of goods and services from companies in which certain directors have interests: | | | |
| - Induscor Supplies (M) Sdn. Bhd. | (i) | 223,787 | 213,700 |
| - Pen'ads (M) Sdn. Bhd. | (i) | 12,611 | 16,445 |
| - Yong Guan Heng & Co. Sdn. Bhd. | (i) | 4,500 | - |
| Rental of premises paid and payable to companies in which certain directors have interests: | | | |
| - Induscor Supplies (M) Sdn. Bhd. | (ii) | 12,000 | 13,200 |
| - KP Holdings Sdn. Bhd. | (ii) | 136,800 | 136,800 |
| - South Island Building Sdn. Bhd. | (ii) | - | 6,900 |
| Rental of machinery received/receivable from a company in which certain directors have interests: | | | |
| - Yong Guan Heng & Co. Sdn. Bhd. | (ii) | 34,500 | 30,000 |
| Subcontract fees paid/payable to a company in which a subsidiary is a corporate shareholder | | | |
| - Viet Tien Garment Joint Stock Corporation | (iii) | 67,083,603 | 50,528,009 |
| Sale of property, plant and equipment to a company in which a subsidiary is a corporate shareholder | | | |
| - Viet Tien Garment Joint Stock Corporation | | 34,650 | - |

**34. Related party disclosure** (cont'd)

| | Note | 2011 RM | 2010 RM |
|---|---|---|---|
| **Company** | | | |
| Purchase of goods and services from a company in which certain directors have interests: | | | |
| - Pen'ads (M) Sdn. Bhd. | (i) | 6,961 | 8,010 |
| Rental of premises paid and payable to a company in which certain directors have interests: | | | |
| - KP Holdings Sdn. Bhd. | (ii) | 136,800 | 136,800 |
| Gross dividends received/receivable from subsidiaries | | 10,391,004 | 9,222,404 |
| Management fees received/receivable from subsidiaries | (iv) | 636,000 | 636,000 |

(i) The sales and purchases of goods and services from companies in which certain directors have interests were made according to prices and terms mutually agreed between the respective parties and were not materially different from those obtainable in transactions with unrelated parties.

(ii) The rentals were charged at prices mutually agreed between the respective parties.

(iii) The subcontract fees paid/payable to a company in which a subsidiary is a corporate shareholder were charged at prices mutually agreed between the respective parties and were not materially different from those obtainable in transactions with unrelated parties.

(iv) The management fees were charged at prices mutually agreed between the respective parties.

Information regarding outstanding balances arising from related party transactions as at 30 April 2011 is disclosed in Note 23 and Note 26.

**(b) Compensation of key management personnel**

The remuneration of certain directors and other members of key management during the year were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Short-term employee benefits | 5,575,302 | 7,330,052 | 126,000 | 134,000 |
| Defined contribution plan | 703,140 | 866,807 | - | - |
| Share options granted under ESOS | 319,900 | - | 68,600 | - |
| | 6,598,342 | 8,196,859 | 194,600 | 134,000 |

## 34. Related party disclosure (cont'd)

### (b) Compensation of key management personnel (cont'd)

Included in the total key management personnel compensation are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Directors' remuneration (Note 12) | 5,780,122 | 5,468,222 | 194,600 | 134,000 |

Director's interests in the Employees' Share Option Scheme ("ESOS")

Directors of the Group and the Company and other members of key management have been granted the following number of options under the ESOS:

| | Number of options over ordinary shares of RM1 each Group and Company | |
|---|---|---|
| | 2011 | 2010 |
| At 1 May | 107,000 | 107,000 |
| Granted | 2,282,000 | - |
| Exercised | (25,000) | - |
| At 30 April | 2,364,000 | 107,000 |

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 28).

## 35. Fair value of financial instruments

### A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

| | Note | Group Carrying amount RM | Fair value RM |
|---|---|---|---|
| **At 30 April 2011** | | | |
| **Financial assets:** | | | |
| Investment securities – unquoted equity instruments | 21 | 10,656,851 | * |
| **At 30 April 2010** | | | |
| **Financial assets:** | | | |
| Investment securities – unquoted equity instruments | 21 | 10,677,136 | * |
| Investment securities – quoted in Malaysia | 21 | 1,657,766 | 1,955,314 |
| **Financial liabilities:** | | | |
| Obligation under finance leases | 25 | 97,204 | 101,858 |

## 35. Fair value of financial instruments (cont'd)

### B. Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

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

| | Note |
|---|---|
| Trade and other receivables (current) | 23 |
| Trade and other payables (current) | 26 |

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, due to their short-term nature.

Amounts due from subsidiaries

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Investment securities - quoted equity instruments

Fair value is determined directly by reference to their published market price at the reporting date.

Investment securities - unquoted equity instruments

* It is not practicable to estimate the fair value of the Group's non-current unquoted investments due to the lack of quoted market prices and the variability to estimate fair value. However, the Group believes that the carrying amount represents the recoverable value.

## 36. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Chief Executive Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

**36. Financial risk management objectives and policies** (cont'd)

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

**a) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group and the Company minimise credit risk by limiting the Group's associations with business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reports.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Group Chief Executive Officer.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the statements of financial position.

- a nominal amount of RM5,343,403 (2010: RM3,306,545) relating to corporate guarantees provided by the Company to financial institutions for credit facilities granted to subsidiaries.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

| | 2011 | |
|---|---|---|
| | **RM** | **% of total** |
| **By country:** | | |
| Malaysia | 28,512,718 | 54% |
| United States of America | 240,901 | 0.5% |
| Singapore | 4,029,973 | 7.8% |
| China and Hong Kong | 1,209,738 | 2.3% |
| Vietnam | 18,545,639 | 35.3% |
| Japan | 36,614 | 0.1% |
| | 52,575,583 | 100.0% |

36. **Financial risk management objectives and policies** (cont'd)

(a) **Credit risk** (cont'd)

| | 2011 RM | 2011 % of total |
|---|---|---|
| **By industry sectors:** | | |
| Manufacturing and sales of packaging materials | 28,936,797 | 55% |
| Manufacturing and sales of garments | 23,638,786 | 45% |
| | 52,575,583 | 100% |

At the reporting date, approximately 45% (2010: 43%) of the Group's trade receivables were due from one (2010: two) major customer from the manufacturing and sales garment industry located in Malaysia.

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 23. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 23.

(b) **Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of available credit facilities.

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. Furthermore, the Group is able to raise fund from both capital markets and financial institutions and balance its portfolio with some short term funding so as to achieve overall cost effectiveness.

## 36. Financial risk management objectives and policies (cont'd)

### (b) Liquidity risk (cont'd)

**Analysis of financial instruments by remaining contractual maturities**

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

| | 2011 On demand or within 1 year RM | 1 to 5 years RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| **Financial liabilities:** | | | |
| Trade and other payables | 46,823,676 | - | 46,823,676 |
| Total undiscounted financial liabilities | 46,823,676 | - | 46,823,676 |

### (c) 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.

As the Group has no significant interest-bearing financial assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in deposits in banks.

### (d) 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 functional currency of the Group entities, i.e. RM, comprising US Dollar ("USD"), China Reminbi ("RMB") and Singapore Dollar ("SGD"). The foreign currencies in which these transactions are denominated are mainly US Dollars ("USD").

Approximately 46% (2010: 43%) of the Group's receivables are denominated in foreign currencies whilst almost 61% (2010: 60%) of payables are denominated in the functional currency of the Group entities.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD and SGD) amounted to RM2,366,839 (2010: RM3,612,614) for the Group.

**36. Financial risk management objectives and policies** (cont'd)

**(d) Foreign currency risk** (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the various exchange rates against the functional currency of the Group entities, with all other variables held constant.

| **Group** | | | **2011**<br>**RM**<br>***Profit net of tax***<br>*Increase / (Decrease)* |
|---|---|---|---|
| USD/RM | - | strengthened 5% | (218,297) |
| | - | weakened 5% | 218,297 |
| RMB/RM | - | strengthened 5% | 25,398 |
| | - | weakened 5% | (25,398) |
| SGD/RM | - | strengthened 5% | 12,307 |
| | - | weakened 5% | (12,307) |

**(e) Market price risk**

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is not exposed to significant market price risk as its investments in quoted equity instruments are not significant.

**37. Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 April 2011 and 30 April 2010.

The Group monitors capital using net gearing ratio, which is net debt divided by equity attributable to the owners of the parent. The Group's policy is to keep the Group net gearing ratio at a level deemed appropriate considering business, economic and investment conditions.

## 37. Capital management (cont'd)

| | Note | Group 2011 RM | Group 2010 RM |
|---|---|---|---|
| Loans and borrowings | 25 | - | 97,204 |
| Trade and other payables | 26 | 46,823,676 | 38,817,809 |
| Less:- Cash and bank balances | 24 | (18,194,250) | (21,603,831) |
| Net debt | | 28,629,426 | 17,311,182 |
| Equity attributable to the owners of the parent | | 157,192,971 | 146,864,362 |
| Less: Fair value reserve | 30 | (25,714) | - |
| Total capital | | 157,167,257 | 146,864,362 |
| **Capital and net debt** | | 185,796,683 | 164,175,544 |
| **Gearing ratio** | | 15% | 11% |

## 38. Segmental information

### (a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

### (b) Business segments

For management purpose, the Group is organised into business units based on their products and services, and has mainly two reportable operating segments as follows:

(i) Manufacturing and sales of packaging materials; and

(ii) Manufacturing and sales of garments

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit before tax, as explained in the table below.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

**38. Segmental information** (cont'd)

**(c) Geographical segments**

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. The Group's two business segments operate in two main geographical areas:

Malaysia - the operations in this area are principally manufacturing and sales of packaging materials and garments

Vietnam and China - the operations in these areas are principally manufacturing and sales of garments

**(d) Allocation basis and transfer pricing**

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

There are minimal inter-segments sales within the Group.

**Business segments**

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

| | Manufacturing and sales of packaging materials RM | Manufacturing and sales of garments RM | Adjustments and eliminations RM | Total RM |
|---|---|---|---|---|
| **30 April 2011** | | | | |
| **Revenue** | | | | |
| External customers | 105,357,278 | 338,299,502 | - | 443,656,780 |
| Inter-segment | 366,201 | - | (366,201) | - |
| Total revenue | 105,723,479 | 338,299,502 | (366,201) | 443,656,780 |

## 38. Segmental information (cont'd)

### Business segments (cont'd)

| | Manufacturing and sales of packaging materials RM | Manufacturing and sales of garments RM | Adjustments and eliminations RM | Total RM |
|---|---|---|---|---|
| **Results** | | | | |
| Segment results | 3,602,708 | 19,566,711 | 37,396 | 23,206,815 |
| Interest income | 292,873 | 25,495 | - | 318,368 |
| Dividend income | 16,772 | 232,672 | - | 249,444 |
| Operating profit | | | | 23,774,627 |
| Finance costs | | | | (515,732) |
| Profit before tax | | | | 23,258,895 |
| Income tax expense | | | | (5,998,750) |
| Profit for the year | | | | 17,260,145 |
| **Assets** | | | | |
| Segment assets | 93,938,211 | 116,989,043 | - | 210,927,254 |
| Unallocated assets | | | | |
| Tax recoverable | | | | 693,601 |
| Total assets | | | | 211,620,855 |
| **Liabilities** | | | | |
| Segment liabilities | 12,009,543 | 34,814,133 | - | 46,823,676 |
| Unallocated liabilities | | | | |
| Tax liabilities | | | | 7,575,342 |
| Total liabilities | | | | 54,399,018 |
| **Other segment information** | | | | |
| Amortisation | 13,120 | - | - | 13,120 |
| Depreciation | 3,274,962 | 2,375,576 | - | 5,650,538 |
| Capital expenditure | 1,968,655 | 3,279,606 | - | 5,248,261 |
| Impairment loss on investment securities | - | 20,285 | - | 20,285 |
| Non-cash (income)/expenses other than depreciation, amortisation and impairment | (7,114) | 335,487 | - | 328,373 |

## 38. Segmental information (cont'd)

### Business segments (cont'd)

| 30 April 2010 | Manufacturing and sales of packaging materials RM | Manufacturing and sales of garments RM | Adjustments and eliminations RM | Total RM |
|---|---|---|---|---|
| **Revenue** | | | | |
| External customers | 94,588,687 | 282,128,430 | - | 376,717,117 |
| Inter-segment | 1,335,609 | - | (1,335,609) | - |
| Total revenue | 95,924,296 | 282,128,430 | (1,335,609) | 376,717,117 |
| **Results** | | | | |
| Segment results | 3,781,025 | 17,558,025 | (204,716) | 21,134,334 |
| Interest income | 222,808 | 40,242 | - | 263,050 |
| Dividend income | - | 716,536 | - | 716,536 |
| Operating profit | | | | 22,113,920 |
| Finance costs | | | | (535,990) |
| Share of profits of associates | | | | 220,480 |
| Profit before tax | | | | 21,798,410 |
| Income tax expense | | | | (5,302,819) |
| Profit for the year | | | | 16,495,591 |
| **Assets** | | | | |
| Segment assets | 91,880,912 | 100,609,703 | - | 192,490,615 |
| Unallocated assets | | | | |
| Tax recoverable | | | | 666,054 |
| Total assets | | | | 193,156,669 |
| **Liabilities** | | | | |
| Segment liabilities | 10,444,131 | 28,373,678 | - | 38,817,809 |
| Unallocated liabilities | | | | |
| Borrowings | | | | 97,204 |
| Tax liabilities | | | | 7,349,998 |
| Total liabilities | | | | 46,265,011 |
| **Other segment information** | | | | |
| Amortisation (restated) | 13,119 | - | - | 13,119 |
| Capital expenditure | 2,356,344 | 4,984,366 | - | 7,340,710 |
| Depreciation (restated) | 3,813,162 | 2,338,043 | - | 6,151,205 |
| Impairment losses on other investments | - | 143,143 | - | 143,143 |
| Non-cash (income)/expenses other than depreciation, amortisation and impairment | (4,855) | 74,914 | - | 70,059 |

## 38. Segmental information (cont'd)

Information about major customers

Revenue from a major customer amounts to RM334,957,884 (2010: RM275,187,784), arising from sales made by the garment segment.

### Geographical segments

The Group's operations are mainly located in Malaysia except for some manufacturing activities of garments of a subsidiary being carried out in Vietnam and China. The customers for the manufacturing and sales of packaging material subsidiaries are primarily located in Malaysia. The customers for the manufacturing and sales of garments are located worldwide mainly in United States of America (USA), Europe and China.

| | Total revenue – sales to external customers | | Segment assets | | Capital expenditure | |
|---|---|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Malaysia | 99,161,951 | 92,414,466 | 177,460,847 | 150,186,236 | 3,863,244 | 5,242,709 |
| Vietnam | - | - | 30,880,816 | 39,857,062 | 1,100,695 | 799,775 |
| United States of America | 126,826,408 | 140,616,618 | - | - | - | - |
| Europe | 128,202,484 | 95,679,966 | - | - | - | - |
| China | 12,358,115 | 5,225,867 | 2,585,591 | 2,447,317 | 284,322 | 1,298,226 |
| Others * | 77,107,822 | 42,780,200 | - | - | - | - |
| | 443,656,780 | 376,717,117 | 210,927,254 | 192,490,615 | 5,248,261 | 7,340,710 |

* Others mainly refer to countries such as Canada, Australia, Thailand, Indonesia, Singapore and Japan.

## 39. Subsequent events

Subsequent to year end:

(a) the Company increased its issued and paid-up share capital from RM103,600,000 to RM108,487,900 by way of the issuance of new 4,887,900 ordinary shares of RM1 each for cash pursuant to the Company's ESOS at the exercise price of RM1.01 per ordinary share. The new ordinary shares issued subsequent to year end ranked pari passu in all respects with the existing ordinary shares of the Company, and

(b) all the remaining 963,100 vested and unexercised share options have expired on 17 July 2011.

## 40. Authorisation of financial statements for issue

The financial statements for the year ended 30 April 2011 were authorised for issue in accordance with a resolution of the directors on 26 August 2011.

## 41. Supplementary information – breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Company as at 30 April 2011 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared 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.

The retained earnings as at reporting date may be analysed as follows:

| | Group 2011 RM | Company 2011 RM |
|---|---|---|
| Total retained profits of the Company and its subsidiaries | | |
| - Realised | 84,264,416 | 8,137,152 |
| - Unrealised | (7,506,043) | - |
| | 76,758,373 | 8,137,152 |
| Less: Consolidation adjustments | (27,050,956) | - |
| | 49,707,417 | 8,137,152 |

Comparative figures for the last financial year ended 30 April 2010 are not required in the first year of complying with the realised and unrealised profits or losses disclosure.

# List of Properties owned by the Group

| Company | Location | Land Area/ Built-up Area | Existing Use | Tenure | Approx. Age of Building (Years) | Net Book Value @30-4-2011 RM'000 |
|---|---|---|---|---|---|---|
| Inter-Pacific Packaging Sdn Bhd | Lot 897, 984 & 985, Batu 13, Jalan Kelang, 47100 Puchong, Selangor Darul Ehsan (^1) | 27,797 sq.m./ 15,362 sq.m. | Factory and Office Premises | Freehold | 21 | 8,589 |
| South Island Plastics Sdn Bhd | H.S.(D) No. 40 Plot No. 21 Mk. 1, SPT (*), 983 Kawasan MIEL Prai, PIP (~) (^2) | 1,995 sq.m./ 1,528 sq.m. | Rented out as Warehouse | 99 years Leasehold expiring on 28-9-2071 | 28 | 253 |
| | H.S.(D) No. 4694 P.T. No. 3406 Mk. 1 SPT (*), Plot 541 Lorong Perusahaan Baru 2, PIP (~) (^3) | 7,050 sq.m./ 4,464 sq.m. | Factory and Office Premises | 60 years Leasehold expiring on 23-7-2051 | 21 | 1,934 |
| | Lot 187 Mk. 1, SPT (*), No. GM 59, 2930 Lorong Perusahaan Baru 6, 13600 Prai, Penang. (^4) | 3,979 sq.m./ 1,674 sq.m. | Factory and Warehouse | Freehold | 15 | 2,443 |
| | 20 Jalan Tambur 33/19, Shah Alam Technology Park, Section 33, 40400 Shah Alam, Selangor. (^5) | 186 sq.m./ 279 sq.m. | Office Premises | Freehold | 11 | 256 |
| South Island Packaging (Penang) Sdn Bhd | H.S.(D) No. 34 & 61 Mk. 1, SPT (*), Lot 689 & 652 Phase 1, PIP (~) (^6) | 8,027 sq.m/ 6,334 sq.m. | Factory and Office Premises | 99 years Leasehold expiring on 10-7-2071 and 26-11-2071 respectively | 31 | 1,922 |
| South Island Garment Sdn Bhd | Lot Nos. PT 1577 and PT 2677, Mk. 1, SPT(*), No. 2468, Solok Perusahaan 2, Prai Industrial Estate, 13600 Perai, Penang. (^7) | 17,621 sq.m./ 12,058 sq.m. | Factory, Warehouse and Office Premises | 60 years Leasehold expiring on 1-10-2046 and 16-10-2048 respectively | 23 | 9,962 |

## List of Properties owned by the Group (cont'd)

| Company | Location | Land Area/ Built-up Area | Existing Use | Tenure | Approx. Age of Building (Years) | Net Book Value @30-4-2011 RM'000 |
|---|---|---|---|---|---|---|
| South Island Garment Sdn Bhd | Lot 352, GM No. 200, Mk. 12, SPS, Lot 352, Jalan Simpang Ampat, 14120 Simpang Ampat, SPS(#), Penang. (^8) | 26,951 sq.m./ 10,113 sq.m. | Factory and Warehouse Premises | Freehold | 21 | 7,475 |
| | Lot Nos. 2734 to 2737, Mk. 6, SPT(*), Nos. 12, 14, 16 and 18, Jalan Nagasari 1, Taman Nagasari, 13600 Perai, Penang. (^9) | 416 sq.m./ 554 sq.m. | Worker quarters | Freehold | 21 | 521 |
| | Lot Nos. PT 1627 1626, 1625, 1541 1624, 1540, 1640 and 1639, Mk. 14 SPS(#), Nos. 12, 14, 16 and 18, Lorong Merak 17 and Nos. 11 and 11A, Lorong Merak 18, Taman Merak, 14110 Simpang Ampat, Penang. (^10) | 558 sq.m./ 426 sq.m. | Worker quarters | Freehold | 21 | 335 |

(^1) Purchased on 16 September 1989
(^2) Purchased on 27 May 1988
(^3) Purchased on 30 June 1990
(^4) Purchased on 18 April 2002
(^5) Purchased on 14 May 2002
(^6) Purchased in November 1972 and revalued in 1989
(^7) Purchased in 1987 & 1989 respectively and revalued in 2005
(^8) Purchased in 1990 and revalued in 2005
(^9) Purchased on 11 December 1989 and revalued in 2005
(^10) Purchased on 1 August 1990 and revalued in 2005
(*) Seberang Perai Tengah
(#) Seberang Perai Selatan
(~) Prai Industrial Park, 13600 Prai, Penang

## Thirty Largest Securities Account Holders
**as at 15 September 2011**

| | Shareholders | No. of Shares | % Shareholding |
|---|---|---|---|
| 1. | Berjaya Group Berhad | 21,300,000 | 19.63 |
| 2. | A.A. Anthony Nominees (Tempatan) Sdn. Bhd.<br>Pledged securities account for KP Holdings Sdn Bhd | 14,149,639 | 13.04 |
| 3. | Tan Poay Seng | 10,436,600 | 9.62 |
| 4. | Dato' Kamarudin bin Jaffar | 7,209,007 | 6.64 |
| 5. | Mayban Nominees (Tempatan) Sdn. Bhd.<br>Pledged securities account for Tan Kok Ping | 5,600,000 | 5.16 |
| 6. | A.A. Anthony Nominees (Tempatan) Sdn. Bhd.<br>Pledged securities account for Tan Kok Ping | 5,556,027 | 5.12 |
| 7. | Berjaya Sompo Insurance Berhad | 5,260,000 | 4.85 |
| 8. | CIMB Group Nominees (Tempatan) Sdn Bhd<br>Prime Credit Leasing Sdn Bhd for Berjaya Group Berhad | 4,000,000 | 3.69 |
| 9. | Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Fabulous Channel Sdn Bhd | 2,450,000 | 2.26 |
| 10. | Tan Kok Aun | 1,899,481 | 1.75 |
| 11. | RHB Capital Nominees Sdn Bhd<br>Pledged securities account for Tengku Adnan bin Tengku Mansor | 1,890,000 | 1.74 |
| 12. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB for Tekun Asas Sdn Bhd (PB) | 1,195,800 | 1.10 |
| 13. | Tan Poay Seng | 1,112,762 | 1.03 |
| 14. | Tan Poay Teik | 1,000,000 | 0.92 |
| 15. | Tiah Thee Seng | 1,000,000 | 0.92 |
| 16. | Heah Theare Haw | 1,000,000 | 0.92 |
| 17. | Tan Kok Pooh | 940,142 | 0.87 |
| 18. | South Island Holdings Sdn. Bhd. | 749,940 | 0.69 |
| 19. | South Island Development Company Sdn. Berhad | 632,300 | 0.58 |
| 20. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for HSBC Private Bank (Suisse) S.A. (Spore TST AC CL) | 555,000 | 0.51 |
| 21. | Roger Chan Wan Chung | 500,000 | 0.46 |
| 22. | Tan Kok Ping | 450,500 | 0.42 |
| 23. | South Island Building Sdn Bhd | 450,000 | 0.41 |
| 24. | Tan Chuen Yong | 441,000 | 0.41 |
| 25. | HLG Nominee (Tempatan) Sdn Bhd<br>Pledged securities account for Ta Kin Yan | 399,900 | 0.37 |
| 26. | Seow Siew Chin | 396,500 | 0.37 |
| 27. | Lee Yuit Eow | 379,600 | 0.35 |
| 28. | Phneah Hooi Lan | 378,000 | 0.35 |
| 29. | Lee Yuit Eow | 375,100 | 0.35 |
| 30. | Tan Su Chin | 366,223 | 0.34 |
| | **Total** | **92,073,521** | **84.87** |

# Substantial Shareholders and Directors' Shareholdings
**as at 15 September 2011**

## Substantial Shareholders as at 15 September 2011 excluding Bare Trustee

| | Direct | | Deemed | |
|---|---|---|---|---|
| | No. of Shares | % Shareholding | No. of Shares | % Shareholding |
| Tan Sri Dato' Tan Kok Ping | 11,606,527 | 10.70 | (1) 14,149,639 | 13.04 |
| Berjaya Group Berhad | 25,300,000 | 23.32 | (2) 5,260,000 | 4.85 |
| Dato' Kamarudin bin Jaffar | 7,209,007 | 6.64 | - | - |
| Tan Poay Seng | 11,549,362 | 10.65 | - | - |
| Berjaya Corporation Berhad | - | - | (3) 30,560,000 | 28.17 |
| Tan Sri Dato' Seri Vincent Tan Chee Yioun | - | - | (4) 30,560,000 | 28.17 |

**Notes:**
(1) *Deemed interested by virtue of Section 6A of the Companies Act, 1965 held through KP Holdings Sdn Bhd.*
(2) *Deemed interested by virtue of Section 6A of the Companies Act, 1965 held through Berjaya Sompo Insurance Berhad.*
(3) *Deemed interested by virtue of its 100% equity interest in Berjaya Group Berhad.*
(4) *Deemed interested by virtue of his interest in Berjaya Sompo Insurance Berhad and Berjaya Corporation Berhad, the ultimate holding company of Berjaya Group Berhad.*

## Directors' Shareholdings as at 15 September 2011

| | Direct | | Indirect (>)(<) | |
|---|---|---|---|---|
| Name | No. of Shares | % Shareholding | No. of Shares | % Shareholding |
| Tan Sri Dato' Tan Kok Ping | 11,606,527 | 10.70 | ^ 14,149,639 | 13.04 |
| | | | > 1,315,000 | 1.21 |
| Tan Poay Seng ("TPS") | 11,549,362 | 10.65 | - | - |
| Tan Kok Aun | 1,899,481 | 1.75 | < 44,167 | 0.04 |
| H'ng Cheok Seng | 270,000 | 0.25 | - | - |
| Datuk Noor Zahidi bin Omar | 50,000 | 0.05 | - | - |
| Tan Thiam Chai | - | - | - | - |
| Mawan Noor Aini Binti Md. Ismail | 2,393 | # | - | - |
| Chang Chuen Hwa (Alternate Director to TPS) | 330,000 | 0.30 | < 50,144 | 0.05 |

# *Less than 0.01%*
^ *Deemed interested by virtue of his interest in KP Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*
> *Shares held by child notified pursuant to Section 134(12)(c) of the Companies (Amendment) Act, 2007.*
< *Shares held by spouses notified pursuant to Section 134(12)(c) of the Companies (Amendment) Act, 2007.*

# Analysis of Shareholdings
**as at 15 September 2011**

| | | |
|---|---|---|
| Authorised share capital | : | RM500,000,000 |
| Issued and fully paid-up | : | RM108,487,900 |
| Class of Share | : | Ordinary shares of RM1 each fully paid |
| Voting Rights | : | On a show of hands – one vote for every shareholder<br>On a poll – one vote for every ordinary share held. |

| Size of Shareholdings | No. of Shareholders | No. of Shares | % Shareholding |
|---|---|---|---|
| 1 – 99 | 11 | 483 | 0.00 |
| 100 – 1,000 | 210 | 184,749 | 0.17 |
| 1,001 – 10,000 | 1,511 | 4,601,493 | 4.24 |
| 10,001 – 100,000 | 217 | 6,632,064 | 6.12 |
| 100,001 – 5,424,394 | 49 | 32,819,838 | 30.25 |
| 5,424,395 – and above | 6 | 64,251,273 | 59.22 |
| **Total** | **2,004** | **108,487,900** | **100.00** |

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# Proxy Form

* I / We ____________________________________________
(Full Name in Block Letters)

of ____________________________________________
(Address)

being a * member / members of the abovenamed Company, hereby appoint ____________________

____________________________________________
(Full Name in Block Letters)

of ____________________________________________
(Address)

or failing him, ____________________________________________
(Full Name in Block Letters)

of ____________________________________________
(Address)

as * my / our proxy to vote for * me / us on * my / our behalf at the Fourteenth Annual General Meeting of the Company to be held at Berjaya 1, 7th Floor, Berjaya Georgetown Hotel, 1-Stop Midlands Park Centre, Jalan Burmah, 10350 Penang on Friday, 28 October 2011 at 10.30 a.m. and at any adjournment thereof.

| | ORDINARY RESOLUTION | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| **FOR** | | | | | | | | |
| **AGAINST** | | | | | | | | |

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

As witness my hand this __________day of ____________________,2011.

**No. of shares held** [ ]

____________________
Signature of Member (s)

**Notes:**

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, this form duly completed, must be deposited at the registered office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.

** Strike out whichever is not desired*

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Stamp

To,

THE COMPANY SECRETARY
**MAGNI-TECH INDUSTRIES BERHAD** (422585-V)
51-21-A MENARA BHL BANK
JALAN SULTAN AHMAD SHAH
10050 PENANG

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