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# CORPORATE INFORMATION

## Board of Directors

Tan Lye Huat  
*Group Executive Chairman and Managing Director*

Tan Ho Foot  
*Executive Director*

Tan Kim Lai  
*Executive Director*

Tan Sook Yee  
*Executive Director*

Chu Kan  
*Independent Non-Executive Director*

Hau Hock Khun  
*Independent Non-Executive Director*

Rita Tai Lai Ling  
*Independent Non-Executive Director*

## Audit Committee

Chu Kan  
*Chairman/Independent Non-Executive Director*

Hau Hock Khun  
*Independent Non-Executive Director*

Rita Tai Lai Ling  
*Independent Non-Executive Director*

## Company Secretaries

Ng Bee Lian  
MAICSA 7041392

Tan Enk Purn  
MAICSA 7045521

## Registered Office

Chamber E, Lian Seng Courts  
275, Jalan Haruan 1  
Oakland Industrial Park  
70200 Seremban  
Negeri Sembilan  
Tel: (06) 762 3339  
Fax: (06) 762 9693

## Investor Relations

[www.insage.com.my/ir/HIGHTEC](http://www.insage.com.my/ir/HIGHTEC)

## Principal Place of Business

No.6, Jalan TSB 1  
Taman Industri Sungai Buloh  
47000 Sungai Buloh  
Selangor D.E.  
Tel : (03) 6157 6339  
Fax : (03) 6156 8918  
Email : [info@hlhightech.com](mailto:info@hlhightech.com)  
Website: [www.hlhightech.com](http://www.hlhightech.com)

## Share Registrars

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya, Selangor  
Tel : (03) 7841 8000  
Fax : (03) 7841 8151

## Auditors

Messrs. SJ Grant Thornton  
Chartered Accountants

## Principal Bankers

Hong Leong Bank Berhad  
CIMB Bank Berhad  
OCBC Bank (Malaysia) Berhad

## Stock Exchange Listing

Main Market of the Bursa Malaysia Securities Berhad  
Stock Name : HIGHTEC  
Stock Code : 7033

# BOARD OF DIRECTOR'S PROFILE

## **Tan Lye Huat**

*Group Executive Chairman and Managing Director*

Tan Lye Huat, Malaysian, aged 58, was appointed as Group Executive Chairman and Managing Director of Kumpulan H&L High-Tech Berhad (H&L) on 2 September 1997. He is a businessman by profession and the founder of H&L High-Tech Sdn Bhd (HHT), Plastik STC Sdn Bhd (PSSB), H&L High-Tech Deco Sdn Bhd (HHTD), H&L High-Tech Properties Sdn Bhd (HHTP) and H&L High-Tech Properties Development Sdn Bhd (HHPD).

He founded Hup Lee Engineering Works (HLEW) in 1976 as a partnership in the mould and dies industry and incorporated the partnership under HHT on 9 November 1988.

With more than 34 years experience of closely managing the production and marketing operations of HHT and HLEW, he possess in-depth knowledge and experience in the overall operations of HHT as well as the industry in general.

He sits on the Board of all companies under the H&L Group and also holds directorships in a number of other private limited companies. He has no conflict of interest with the Company. His brothers Tan Ho Foot, Tan Kim Lai are Directors of H&L and Tan Ah Heng is a major shareholder of H&L. His daughter Tan Sook Yee is Director of H&L.

## **Tan Kim Lai**

*Executive Director*

Tan Kim Lai, Malaysian, aged 60, was appointed as Executive Director of H&L on 2 September 1997.

He is a businessman by profession and founding partners of HLEW and became a shareholder and director of HHT upon its incorporation in 1988. He is responsible for the administrative matters of H&L Group as he has garnered a wide experience in the administrative aspect of the precision mould and dies business since the partnership business of HLEW began in 1976.

He sits on the Board of all companies under the H&L Group and also holds directorships in a number of other private limited companies. He has no conflict of interest with the Company. His brothers Tan Ho Foot, Tan Lye Huat are Directors of H&L and Tan Ah Heng is a major shareholder of H&L.

## **Tan Ho Foot**

*Executive Director*

Tan Ho Foot, Malaysian, aged 61, was appointed as Executive Director of H&L on 2 September 1997. He is one of the founding partners of HLEW and became a shareholder and director of HHT upon its incorporation in 1988.

He was the chief technician for the fabrication of machine parts and tooling of HLEW since 1982 and this function continued in HHT. He is primary responsible for the fabrication functions in HHT.

He sits on the Board of few companies under the H&L Group and also holds directorships in a number of other private limited companies. He has no conflict of interest with the Company. His brothers Tan Lye Huat, Tan Kim Lai are Directors of H&L and Tan Ah Heng is major shareholder of H&L.

## **Tan Sook Yee**

*Executive Director*

Tan Sook Yee, Malaysian, aged 31, was appointed as Executive Director of H&L on 30 June 2006.

She holds a Bachelor of Engineering (Honours) (Mechanical and Manufacturing) and Bachelor of Commerce from the University of Melbourne.

She is the Customer Support Engineer in H&L Group since 2004 and sits on the Board as the Business Development Director. Her primary function is to develop new projects for the group and also to manage the group's international businesses.

She has no conflict of interest with the Company. She is the daughter of Mr. Tan Lye Huat, Group Executive Chairman and Managing Director.

## BOARD OF DIRECTOR'S PROFILE

### **Chu Kan**

#### *Independent Non - Executive Director*

Chu Kan, Malaysian, aged 68, was appointed as an Independent Non-Executive Director of Kumpulan H&L High-Tech Berhad on 2 September 1997. He has been a member of the Institute of Internal Auditors since 1980 and he became a professional member of the National Institute of Accountants, Australia in 2003. In 1969, he began his career as an office manager cum accountant with General Ceramic Bhd (now known as General Corporation Bhd).

He left in 1986 as the assistant group internal auditor. In 1987, he joined Redland Prestige Ceramic Sdn Bhd, a wholly owned subsidiary of Johan Holdings Bhd, which is principally involved in manufacturing of ceramic tiles, as a finance and administration manager. He retired from employment in early 1997 and currently sits on the Board of several private limited companies.

He is the Chairman of Audit Committee and also sits on the Nomination Committee and Remuneration Committee. He does not have any family relationship with any director and/or major shareholder of the Company and there is no other business arrangement with the Company in which he has personal interest.

### **Rita Tai Lai Ling**

#### *Independent Non - Executive Director*

Rita Tai, Malaysian, aged 46, was appointed as an Independent Non-Executive Director of Kumpulan H & L High-Tech Berhad on 23 June 2009. She is a Chartered Accountant of the Malaysian Institute of Accountants, a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants and holder of a Dealer's Representative licence issued by the Securities Commission.

She began her career in 1989 as an Accountant with MST Industrial System Sdn Bhd. In 1990, she joined Coopers & Lybrand (now known as PriceWaterHouseCoopers) as an audit assistant and thereafter was promoted to the position of an Audit Manager. Subsequently in 1994, she joined a licensed Asset Management company as the Head of Finance and Corporate Affairs. In 1997, she joined Hwang DBS Securities Sdn. Bhd. (now known as Hwang DBS Investment Bank Bhd.) as a Dealer's Representative. Later in 2001, she transferred her Dealer's Representative licence to Kenanga Investment Bank Berhad and has been with the company until end of 2011. In January 2012, she transferred her Dealer's Representative licence to Malacca Securities Sdn Bhd. The years of experience that she gained in the audit and business advisory services as well as in the securities industry has equipped her with extensive knowledge in the operations of the stockbroking, manufacturing, banking, insurance, trading and plantation sectors.

She does not have any family relationship with any director and/or major shareholder of the Company and there is no other business arrangement with the Company in which she has personal interest.

### **Hau Hock Khun**

#### *Independent Non - Executive Director*

Hau Hock Khun, Malaysian, aged 40, was appointed as an Independent Non-Executive Director of Kumpulan H & L High-Tech Berhad on 5 August 2009. He holds a Bachelor of Law (L.L.B.) from Bond University, Queensland, Australia and International Diploma Computer Science NCC, UK (Systematic College).

He was called to the Malaysian Bar on 31 May 1998, admissible to the Queensland Solicitors' Board (Australia) and currently is the Advocate & Solicitor of the High Court of Malaya holding the Annual Practice Certificate No for the year 2009 under the Legal Professional Act 1976. Currently is a partner in Messrs Ooi Sam Heng & Associates, Advocates and Solicitors. Proficient and well versed with law enforcement with special interest and solid background in property planning, investment, development & real estate related matters, shipping, company restructuring and franchising, trade mark and patents, industry design, corporate and commercial law, civil litigation, will-related matter, banking. He is also a consultant for various housing development projects. Work scope comprised of legal aspect of the development, project planning with architects and town planner. He is also the registered Mediator on the panel of Malaysia Mediation Centre and the Associate Membership of the U.K Chartered Institute of Arbitrators. For social contribution, he acts as legal advisor to Klang and Pantai Selangor Chinese Medicine and Herbs Association and Persatuan Penganut Dewan Che Tian Men, Pelabuhan Klang.

He does not have any family relationship with any director and/or major shareholder of the Company and there is no other business arrangement with the Company in which he has personal interest.

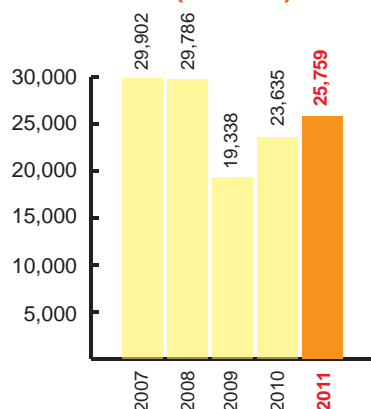
# 5 YEARS' FINANCIAL HIGHLIGHTS

For the year ended 31st October

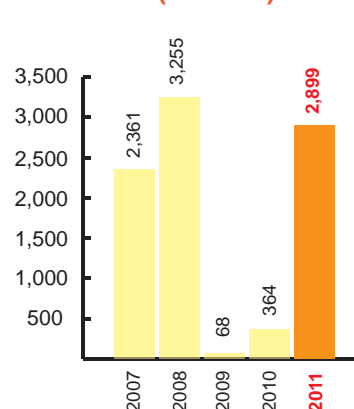
	2007	2008	2009	2010	2011
	RM 000	RM 000	RM 000	RM 000	RM 000
GROUP REVENUE	29,902	29,786	19,338	23,635	25,759
PROFIT BEFORE TAX	2,361	3,255	68	364	2,899
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	2,135	2,168	95	1,705	2,443
PAID UP CAPITAL	40,612	40,612	40,612	40,612	40,612
TOTAL ASSETS	61,753	59,718	57,635	63,557	67,723
SHAREHOLDERS' EQUITY	50,487	50,184	49,415	50,784	51,753
NET EARNINGS PER SHARE (SEN) *	5.33	5.70	0.26	4.53	6.55
NET TANGIBLE ASSETS PER SHARE (RM)*	1.29	1.34	1.31	1.35	1.41
DIVIDEND RATE %	2.5%	0.5%	1.0%	1.0%	5.0%

\* Excluding treasury shares

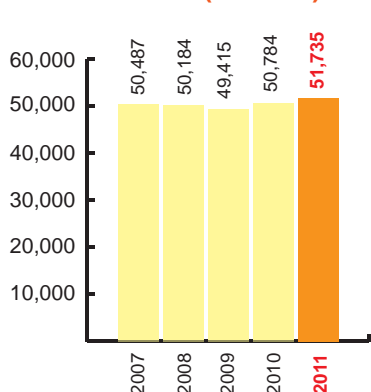
**GROUP REVENUE**  
(RM '000)



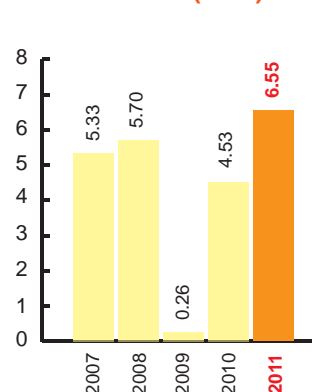
**PROFIT BEFORE TAX**  
(RM '000)



**SHAREHOLDERS' EQUITY**  
(RM '000)



**NET EARNINGS PER SHARE**  
(SEN)



# CHAIRMAN'S STATEMENT

**Dear Shareholders,**

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Kumpulan H & L High-Tech Berhad and its Group of Companies for the financial year ended 31 October 2011.

## FINANCIAL PERFORMANCE OVERVIEW

The H&L group's pretax profit for year ended 31 October 2011 jumped to RM 2.899 million from RM0.364 million achieved in the previous corresponding year. Net profit attributed to shareholders of the group increased by 43.3% to RM2,443 million from RM1.705 million a year earlier. The achievement of significant improvement was attributed to improved turnover and gross profit margin by 9.0% and 27.3% respectively together with increased in other income by RM0.687 million despite a provision of impairment loss of RM0.435 million for plant and machinery caused by the flood in Thailand in October 2011. Earnings per share for year ended 31 October 2011 therefore increased to 6.55 sen from 4.53 sen a year earlier.

## REVIEW OF SUBSIDIARY COMPANY'S PERFORMANCE YEAR ENDED 31 OCTOBER 2011

### a) Manufacture and Sale of Precision Engineering Moulds, Tools and Dies, Jigs & Fixtures

1. H&L High-Tech Sdn Bhd registered a lower pretax loss of RM0.296 million against a pretax loss of RM1.808 million recorded in the immediate preceding financial year. The reduction in loss was due to increased turnover as well as increased gross profit margin to 21% despite a provision of impairment loss in the investment in H & L High-Tech Mould (Thailand) Co., Ltd.
2. The pretax loss incurred by H&L High-Tech Mould (Thailand) Co., Ltd. decreased to RM0.444 million against a pretax loss of RM0.773 million recorded a year earlier. The reduction in loss was attributed to sales and gross profit margin increased by 51.7% and 550% respectively notwithstanding the provision of impairment loss for plant and machinery resulted from the flood that had severely affected the operation from October 2011 to February 2012.

### b) Manufacture and Sale of Customised Engineering Plastic Injection Moulded thermoplastics and thermosett parts and components for electrical and electronic industries.

Plastik STC Sdn Bhd achieved a pretax profit of RM2.811 million against a pretax profit of RM1.757 million recorded in previous corresponding year. The improved profitability was backed by gross profit margin improved by 38.5% and other income increased by 117.9% or RM0.206 million.

### c) Properties Renting

The pretax profit of H & L High-Tech Properties Sdn. Bhd. decreased by 28.5% to RM0.557 million from RM0.779 million recorded in the previous corresponding year. The decline in profitability was caused by rental income dropped by 4% while maintenance expenses and borrowing costs increased. During the financial year, the occupancy rate of the Group's investment properties has reached 100%.

## PROSPECTS

The Group is expected to focus on its core business in Malaysia while venturing and capturing new overseas markets which will be the key growth driver in the coming year.

Barring any unforeseen circumstances, the directors anticipate that the forthcoming financial year will be challenging in view of the European sovereign debt crisis. The Board will continue to remain cautiously optimistic and will explore feasible investment opportunities which will bring synergy and profitability to the Group.

## CORPORATE DEVELOPMENTS

The Group is financially sound with a net surplus cash of RM 11.7 million. Hence, the Board has implemented a Share Buy-Back Scheme and is subjected to the renewal approval of the shareholders of the Company at the forthcoming AGM.

The Share Buy-Back Scheme will enable the Company to stabilize the supply and demand of H&L Shares on the Bursa Malaysia Securities Berhad and thereby support the Company's fundamental value.

# CHAIRMAN'S STATEMENT

The Board will use its financial resources which are not immediately required for other use to purchase H&L Shares. The Company may have the opportunity for potential gains if the purchased H&L shares which are retained as treasury shares are resold at prices higher than their purchase price.

## **PROPOSED DIVIDEND**

The Board of Directors is pleased to recommend a final single-tier dividend of 2.0 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 October 2011 (2010: tax exempt dividend of 1.0 sen per ordinary share of RM1.00 each) subject to the approval of the shareholders at the forthcoming Annual General Meeting.

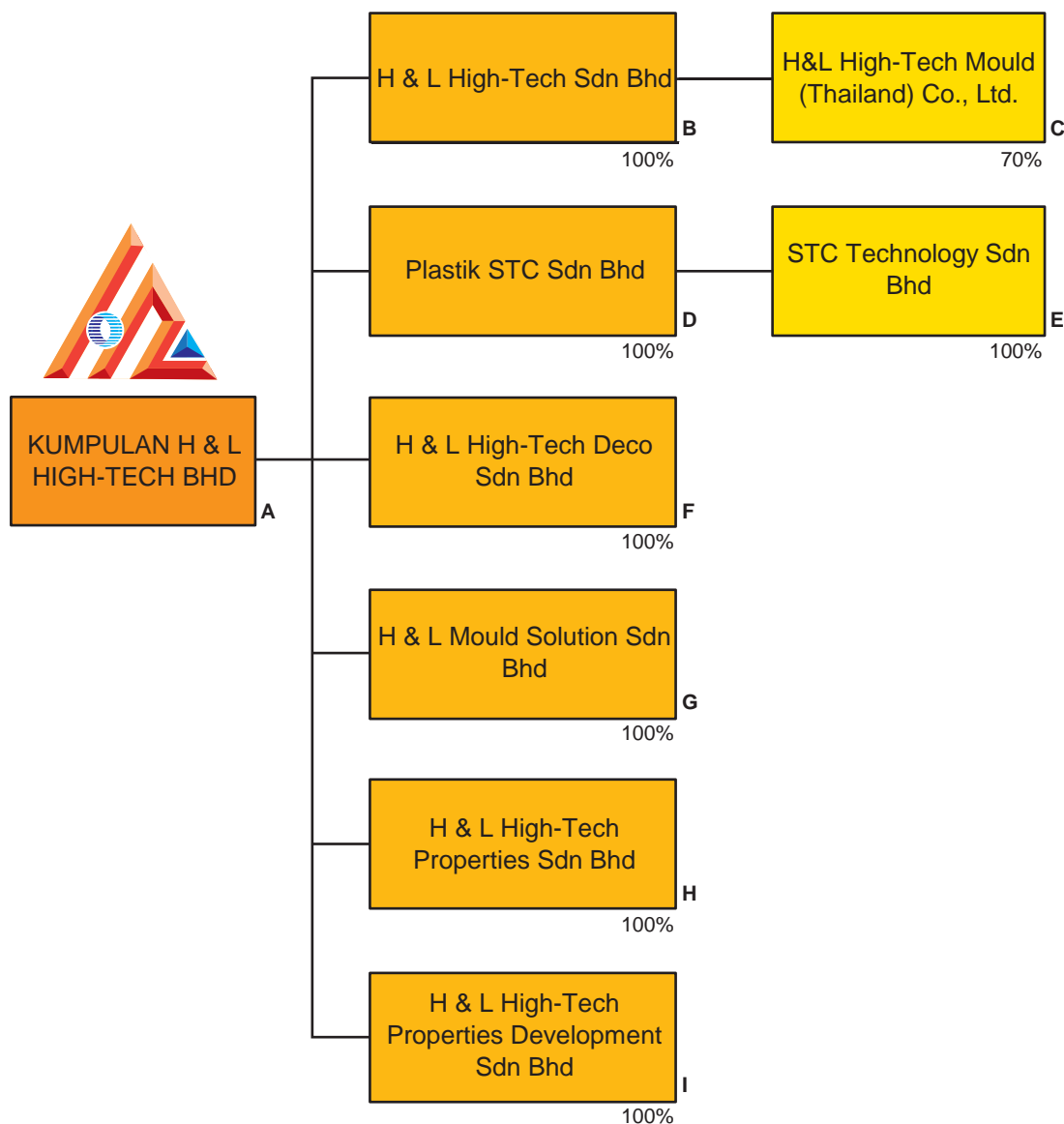
## **ACKNOWLEDGEMENT AND APPRECIATION**

On behalf of the Board, I would like to thank the management and staff for the dedication and commitment shown in the performance of their duties during the financial year. In addition, our sincere gratitude is extended to our customers and suppliers for their continued support and loyalty.

## **TAN LYE HUAT**

Group Executive Chairman and Managing Director

# CORPORATE STRUCTURE



Note:

*No changes to the Group's structure during the financial year ended 31st October 2011.*

## Principle Activities:

- A** Investment holdings
- B** Manufacture and sale of precision engineering moulds, jigs, fixtures, tools and other machine parts
- C** Manufacture and sale of plastic and metal moulds.
- D** Manufacture and sale of customised precision engineering plastic injection moulded thermoplastic and thermosett parts and components for electrical and electronic industry. Letting of equipment and office furniture.
- E** Dormant
- F** Letting of properties and property investment
- G** Dormant
- H** Letting of properties and property investment
- I** Properties development.



# CORPORATE GOVERNANCE STATEMENT

The Board recognises the importance of good corporate governance and fully subscribes to and supports the principles of the Malaysian Code on Corporate Governance and the relevant provisions in the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

The Board is committed to ensuring that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Company.

## THE BOARD

The Board comprised of members with a wide range of business, financial and technical service background. The directors also have experience and expertise in other related and unrelated industries. The Board has overall responsibility for the strategic direction and control of the Group.

All the directors have successfully completed the Mandatory Accreditation Programme and attended the relevant seminars and trainings recognized under the Directors' Continuing Education Programme as prescribed by Bursa Malaysia Securities Berhad. The Directors are encouraged to undergo further education programmes to keep abreast with the relevant developments on a continuous basis. Directors have also kept themselves abreast with relevant developments via the writing and services of independent professionals.

The Board meets every three (3) months in regular Board of Directors' meetings during the year to approve the quarterly results and the audited financial statements on a pre-scheduled basis. Additional meetings are convened whenever necessary. The Audit Committee reports the outcome of committee meetings to the Board and such reports are incorporated as part of the minutes of the Board meetings.

During the financial year ended 31 Oct 2011, the Company held five (5) meetings of the Board of Directors. At its regularly scheduled meeting, there was full financial and business review and discussion including trading performance to date against the annual budget and financial plan previously approved by the Board for that year. All directors fulfilled the requirements of the Articles of Association in respect of board meeting attendance.

To enable the Board to carry out its duties, regular status reports and board papers, including quarterly and year-to-date performance reports are provided to the Board.

Where a potential conflict of interest may arise, it is mandatory practice for the Director concerned to declare his or her interest and to abstain from the decision making process.

The Board had established the Employee Share Option Scheme ("ESOS") Committee, Investment Committee, Audit Committee, Remuneration Committee and Nomination Committee which are delegated with certain responsibilities as well as operates within the clearly define terms of reference. The Board may, whenever required, set up Board Committees delegated with specific powers and responsibilities.

## BOARD COMPOSITION

The Board currently consists of seven (7) directors; comprising four (4) Executive Directors and three (3) Independent Non-Executive Directors.

The roles of the Chairman and Managing Director are currently not separated. The Managing Director is primarily responsible for the orderly conduct and the working of the Board, day to day running of the business and implementation of Board policies and decisions. There is sufficient balance of executive directors such that decision made are fully discussed and examined taking into account the long term interest of shareholders, employees, customers and other communities in which the Group conducts its business. The presence of Independent Non-Executive Directors are essential as they provide unbiased and independent views, advice and judgement as well to safeguard the interest of other parties such as minority shareholders. A brief profile of each director is presented in this annual report on pages 3 to 4. The Board composition complies with the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, which requires one third to be independent.



# CORPORATE GOVERNANCE STATEMENT

## **RE-ELECTION**

The Articles of Association of the Company provides that at least one third of the directors including the Managing Director, are subject to retirement by rotation at each Annual General Meeting but shall be eligible for re-election and that each Director shall submit himself for re-election at least once in every three years.

## **SUPPLY OF INFORMATION TO THE BOARD**

The Board has full and timely access to information with an agenda and Board papers distributed in advance of meetings. The Managing Director will lead the presentation of Board papers and provide explanation of pertinent issue. All directors are entitled to call for additional clarification and information to assist them in matters that require their decision.

Apart from the quarterly and year end financial statements, a report on the Company performance and progress will be presented to the Board every quarter to keep them informed of the Company's state of affairs.

All the directors have access to the advice and services of the Company Secretaries and the Senior Management staff in the Group and may obtain independent professional advice at the Company's expense in furtherance of their duties.

## **THE AUDIT COMMITTEE**

The details are shown in the accompanying report of the Audit Committee on page 15 to 18.

## **THE EMPLOYEE SHARE OPTION SCHEME COMMITTEE ("ESOS")**

The ESOS Committee comprises two (2) members namely Mr. Tan Lye Huat (Chairman- Group Executive Chairman and Managing Director) and Mr. Chu Kan (Independent Non-Executive Director). The Independent Non -Executive Directors do not participate in the scheme.

The ESOS Committee shall within the duration of the Scheme, make Offers to any Eligible Employee whom the ESOS Committee may in its discretion select to subscribe for new H&L Shares.

## **THE INVESTMENT COMMITTEE**

The Investment Committee comprises three (3) members namely Mr. Tan Lye Huat (Chairman- Group Executive Chairman and Managing Director), Mr. Tan Ho Foot (Executive Director) and Mr. Hau Hock Khun (Independent Non-Executive Director).

### **Investment policy on Quoted Securities**

The maximum size of the fund (inclusive of subsidiaries) shall derive from surplus funds to be set aside for investment in quoted securities shall not be more than RM1,500,000 or such other sum as may be set by the Board of Directors. The Company or its subsidiaries may not make any borrowing to finance any proposed investments. Not more than 30 % of the total fund may be used for investment in non-Trustee securities quoted on Bursa Malaysia.

## **THE REMUNERATION COMMITTEE**

The details are shown in the accompanying report of the Remuneration on page 19.

## **THE NOMINATION COMMITTEE**

The details are shown in the accompanying report of Nomination Committee on page 20.

# CORPORATE GOVERNANCE STATEMENT

## DIRECTORS' TRAINING

The Board, through the Nomination Committee, ensures that it recruits to the Board only individuals of sufficient caliber, knowledge and experience to fulfill the duties of a Director appropriately. There is no formal training or orientation programme for Directors.

All Directors have attended and successfully completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia. The Directors continue to undergo the Continuous Education Program to enhance their skills and knowledge, where relevant.

The following are the courses and training programmes attended by the Directors during the financial year ended 31 October 2011.

Date	Training Programmes Attended
24 September 2011	Managing the Risk & Evolution In Anti Money Laundering & Counter Terrorism Laundering
25 June 2011	Blue Ocean Strategy
15 May 2011	Essentials of Fundamental Analytics II

## DIRECTORS' REMUNERATION

All the Independent Non-Executive Directors will receive director fees subject to shareholders approval at the forthcoming Annual General Meeting. The Independent Non-Executive Directors were also paid meeting allowance. However none of the Independent Non-Executive Directors had received meeting allowance which exceeded RM10,000 each in the year.

The level of remuneration of each Director reflects the level of responsibility and commitment, which goes with the Board membership. It is the Board's and Remuneration Committee's duty to ensure that the level of remuneration is sufficient to attract and retain the Directors of the caliber needed to run the Group successfully.

The Remuneration Committee will deliberate and submit its recommendation to the Board for their endorsement. During the Board's deliberation on the respective Director's remuneration, the Directors play no part in deciding their own remuneration and shall abstain from discussion and decision in respect of their own remuneration.

### Disclosure of Remuneration

The Directors are satisfied that the current level of remuneration is in line with the responsibilities expected in the Group.

The aggregate remuneration packages of the directors for the financial year ended 31 October 2011 are as follows: -

Category	Fees RM'000	Salaries & Allowances RM'000	Bon uses & Incentives RM'000	Employer Provident Fund RM'000	Benefits in Kind RM'000	Total RM'000
Executive Directors	-	646	34	75	31	786
Independent Non- Executive Directors	39	-	-	-	-	39
Total	39	646	34	75	31	825

# CORPORATE GOVERNANCE STATEMENT

Range of Remuneration inclusive Attendance Allowance (RM)	Executive Director	Independent Non-Executive Director
Below - 25,000	-	3
25,001 - 50,000	-	-
50,001 - 100,000	2	-
100,001 - 150,000	1	-
450,001 - 500,000	1	-

## RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Company values its dialogue with both institutional shareholders and private investors and acknowledges the need for shareholders to be informed of all material business matters affecting the Group. In this regard it strictly adheres to the disclosure requirement of the Bursa Malaysia Securities Listing Requirement.

The Annual General Meeting (AGM) is the principal forum of dialogue with the shareholders. Shareholders are notified of the Meeting and provided with a copy of the Company's annual report at least 21 days before the date of the Meeting. At each AGM, the Board presents the progress and performance of the Company as contained in the Annual Report and provides opportunity to shareholders to raise questions or to seek for more information. During these meetings, all the directors are available to provide response to question from the shareholders.

For re-election of director, the Board ensures that full information is disclosed in the notice of meeting regarding directors who will be retiring and willing to serve if re-elected.

H&L also maintain a website ([www.insage.com.my/ir/HIGHTEC](http://www.insage.com.my/ir/HIGHTEC)) through which shareholders and the general public can obtain up-to-date information on the trading and products information.

## FINANCIAL REPORTING

The Company's financial statements are drawn up in accordance with the provision of the Companies Act 1965 and the applicable approved accounting standards in Malaysia. The Board is responsible to ensure that the financial statements of the Group and the Companies give a true and fair view of the state of affairs of the Group at the end of the financial year and of their operations and cashflows for the financial year then ended.

In this regard, the Board will ensure that the Company has applied consistently appropriate accounting policies and made reasonable and prudent judgements and estimates. The Board also has to ensure that all applicable approved Accounting Standards have been complied.

Prior to release to Bursa Malaysia Securities Berhad, the quarterly and year end financial statements are reviewed by the Audit Committee and approved by the Board of Directors towards ensuring that the financial statements present a balanced and understandable assessment of the Group's position and prospects.

## RELATIONSHIP WITH AUDITORS

The role of the Audit Committee in relation to the external auditors is stated on page17.

## COMPLIANCE WITH THE CODE

Save as disclosed below, the Group has substantially complied with the Principles and Best Practices of the Code.

The Board is mindful of the dual roles held by the Group Executive Chairman / Managing Director but is of the view that there are sufficient independent minded Directors with wide boardroom experience to provide the necessary check and balance. Besides, the Board has various Board Committees to discuss and decide on policy matters and related issues on a regular basis. The Group Executive Chairman / Managing Director, as a rule, is abstain from all deliberations and voting on matters, which he is directly or deemed interested.

# CORPORATE GOVERNANCE STATEMENT

The Board does not have a formal schedule of matters specifically reserved to it for decision. However, it has been the practice for the Board to deliberate on significant matters that concern the overall strategy of the Group such as major investment or divestment decisions, financial and operating performance, acquisition and disposal of fixed assets.

The Board together with the Group Executive Chairman / Managing Director has not developed formal position description for the Board and Group Executive Chairman / Managing Director. This is due to the current set-up of the Board whereby a majority of the directors have been with the Group since its establishment.

## **STATE OF INTERNAL CONTROL**

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system is designed to meet the Group's particular needs and to manage the risks exposure.

The Statement of Internal Control is set out on page 21 of the annual report provides an overview of the state of internal controls within the Group.

## **CORPORATE SOCIAL RESPONSIBILITY**

The Board acknowledges the importance of corporate social responsibility towards the community, its employees, shareholders and other stakeholders and views it as an extension of the Group's efforts in fostering a strong corporate governance culture.

# DIRECTORS' INFORMATION

	Name of Director	Directorship in Listed Companies	Membership in Board Committee	Convictions for Offences within past 10 years other than Traffic Offences	Attendance Board Meeting	Attendance Audit Committee Meeting
1	Tan Lye Huat	Kumpulan H&L High-Tech Berhad	Remuneration Committee Nomination Committee ESOS Committee Investment Committee	Nil	5 / 5	N/A
2	Tan Ho Foot	Kumpulan H&L High-Tech Berhad	Investment Committee	NIL	4 / 5	N/A
3	Tan Kim Lai	Kumpulan H&L High-Tech Berhad	NIL	NIL	5 / 5	N/A
4	Chu Kan	Kumpulan H&L High-Tech Berhad	Audit Committee Remuneration Committee Nomination Committee ESOS Committee	NIL	5 / 5	5 / 5
5	Tan Sook Yee	Kumpulan H&L High-Tech Berhad	NIL	NIL	5 / 5	N/A
6	Rita Tai Lai Ling	Kumpulan H&L High-Tech Berhad	Audit Committee  Remuneration Committee Nomination Committee	NIL	4 / 5	4 / 5
7	Hau Hock Khun	Kumpulan H&L High-Tech Berhad	Audit Committee  Remuneration Committee Nomination Committee Investment Committee	NIL	5 / 5	5 / 5

# AUDIT COMMITTEE REPORT

**The Board of Directors is pleased to present the report on the Audit Committee and its activities for the financial year ended 31 October 2011 in compliance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.**

## 1. MEMBER

The Audit Committee currently comprises the following members, all of which are Independent Non-Executive Directors. A summary of their respective attendance at the Audit Committee meetings held during the financial year are as follows:-

### MEMBERS AND MEETINGS ATTENDANCE

Name	Membership status	Attendance
• Chu Kan	Chairman, Independent Non-Executive Director	5 out of 5
• Rita Tai Lai Ling	Independent Non-Executive Director	4 out of 5
• Hau Hock Khun	Independent Non-Executive Director	5 out of 5

### Date, Time and Place of the Audit Committee Meetings held

Date	Time	Place
21 December 2010	2.30 p.m.	Boardroom
28 February 2011	2.30 p.m.	No.6 Jalan TSB 1 Taman Industri Sg. Buloh
22 March 2011	2.30 p.m.	47000 Sg Buloh Selangor Darul Ehsan
28 June 2011	2.30 p.m.	
27 September 2011	2.30 p.m.	

## TERMS OF REFERENCE

### Objective

- To serve as a focal point for communication between Non-Committee Directors and external auditors, internal auditors and the management on matters in connection with financial accounting, reporting and controls.
- To assist the Board of Directors in fulfilling its fiduciary responsibilities relating to corporate accounting, system of internal controls, management and financial reporting practices of the Group.
- To enhance the independence of the functions of the Company's external auditors and internal auditors through active participation in the audit progress.

### Membership

The Committee shall be appointed by the Board from amongst its members and shall consist of not less than three (3) members, all of whom must be Independent Non-Executive Directors.

At least one (1) member of the Audit Committee:-

# AUDIT COMMITTEE REPORT

1. must be a member of the Malaysian Institute of Accountants; or
2. if he is not a member of the Malaysian Institute of Accountants, must have at least three (3) years working experience and
  - a. either have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - b. a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
3. possess a degree/masters/doctorate in accounting or finance and at least 3 years post qualification experience in accounting or finance; or
4. must have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
5. fulfill such other requirements relating to financial-related qualifications or experience as prescribed or approved by Bursa Malaysia Securities Berhad.

The Chairman of the Committee shall be appointed by the members of the Audit Committee who shall be an Independent Non-Executive Director.

Members of the Committee may relinquish their membership with prior written notice to the Company Secretary and may continue to serve as Director of the Company.

In the event of any vacancy in the Committee, the vacancy shall be filled within 3 months and the Nomination Committee shall review and recommend for the Board's approval another appropriate Director to fill the vacancy.

The Board must ensure that no Alternate Director is appointed as a member of the Audit Committee.

## Authority & Rights

The Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:

- a. has authority to investigate any activity within its Terms of Reference;
- b. has the resources which are required to perform its duties;
- c. has full and unrestricted access to any information pertaining to the Group;
- d. has direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity(if any);
- e. has authority to obtain independent professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- f. be able to convene meetings with External Auditors, excluding the attendance of executive members of the Group, whenever deemed necessary.

## Duties and Responsibilities

- a. To consider the appointment of the external auditors, the audit fee and questions of resignation or dismissal;
- b. To discuss with the external auditors before the annual audit commences, the nature and scope of the audit plan;
- c. To review the quarterly, and annual financial statements of the Company and the Group focusing particularly on:
  - (i) Any changes in accounting policies and practices
  - (ii) Significant adjustments arising from the audit
  - (iii) The going concern assumption
  - (iv) Compliance with accounting standards and other legal requirements
- d. To discuss problems and reservations arising from the final and any interim audits, evaluation of the system of internal controls and any matters the external auditors may wish to discuss including assistance given by the employees of the Group to the auditors; and to review the auditors' audit report, management letter and management's response.



# AUDIT COMMITTEE REPORT

- e. To consider any related party, inter company transactions and conflict of interest that may arise within the Company/Group and any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- f. To review the scope, functions, procedures of internal audit and results of any internal audit conducted and whether or not appropriate actions, where necessary have been taken;
- g. Such other functions as may be agreed by the Audit Committee and the Board of Directors.

## Meeting and Minutes

The meeting shall be held not be less than four (4) times a year. Additionally, the Chairman shall convene a meeting of the Committee if requested to do so by its member, management or the internal or external auditors to consider any matters within the scope and responsibilities of the Committee. The external auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee. The Committee may invite any Board member or any member of the Senior Management or any relevant employee within the Company who the Committee thinks fit to attend its meetings to assist in resolving and clarifying matters raised in audit reports. Any two (2) members of the Committee present at the meeting shall constitute a quorum. If at any meeting the Chairman of the Committee is not present within 10 minutes after the time appointed for holding the meeting, the Members present may choose one of their numbers who is an Independent Non-Executive Director to be Chairman of the meeting.

The Chairman of the Audit Committee shall engage on a continuous basis with the senior management such as the chairman, chief executive officer, finance director, the head of internal control and the external auditors in order to be kept informed of matters affecting the Company.

The Audit Committee members shall meet with external auditors without Executive Board members at least twice a year.

An Agenda shall be sent to all the members of the Committee and any persons that may be required to attend. Minutes of each meeting shall be kept and distributed to each member of the Company and also the members of the Board of Directors.

The Company Secretary shall be Secretary of the Committee.

## 3. SUMMARY OF ACTIVITIES

During the financial year under review, the Audit Committee conducted its activities in accordance with its existing terms of reference, which included the review of the external auditors' scope of work and annual audit plan.

During the financial year, the internal auditors have conducted audit reviews on the assessment of the Production Management System.

Five (5) meetings of the Committee were held during the financial year ended 31 October 2011,

- a. At each of these Audit Committee's meetings, the Group's finance manager were invited to brief the Audit Committee on specific issues.
- b. The reviews of the Group's quarterly and year-to-date unaudited financial statements were made before submission to the Board for their consideration and approval. During the respective Board Meetings, the Chairman of the Audit Committee briefed the Board on issues raised in respect of the financial statements and the recommendations of the Committee thereon.

# AUDIT COMMITTEE REPORT

- c. During the review of the Group's twelve - month's financial results, representatives of the External Auditors, Messrs SJ Grant Thornton was invited to discuss the Group Accounts for the financial year ended 31 Oct 2011. Management's response to all pertinent issues and findings had been raised and noted by the External Auditors during their examination of the said Group Accounts; together with recommendations in respect of the findings; and
- d. Reviewed the internal audit reports presented and considered the significant findings of internal audit in the Group's operating subsidiaries through the review of internal audit reports tabled and management responses thereto and ensuring significant findings were adequately addressed by Management.

## 4. INTERNAL AUDIT FUNCTION

The Group had since November 2002 outsourced its internal audit function which is independent of its activities and operation and will report to the audit committee on the following:

- a. Undertakes the internal audit of the Group's operating units; ascertaining the extent of the units compliance with the established internal control procedures, policies and statutory requirements; highlighting the weaknesses and recommending improvements to the existing systems of controls;
- b. Assist in reviewing the adequacy and effectiveness of the Group's processes for controlling its activities;
- c. To review and appraise the soundness, adequacy and application of accounting, financial and other controls and promoting effective control in the Company and the Group at reasonable costs; and
- d. Periodically provide information on the status and results of the internal audit plan.

The costs incurred for the Internal Audit function in respect of the financial year ended 31 October 2011 was RM 13,323

# REMUNERATION COMMITTEE AND TERMS OF REFERENCE

The Remuneration Committee comprises the following directors during the year:

- Rita Tai Lai Ling                      Chairperson, Independent Non-Executive Director
- Hau Hock Khun                      Independent Non-Executive Director
- Chu Kan                              Independent Non-Executive Director
- Tan Lye Huat                      Group Executive Chairman and Managing Director

## Membership

- (a) The members of the Remuneration Committee shall be appointed by the Board from amongst their number, consisting wholly or mainly of Non-Executives and shall consist not less than three (3) members.
- (b) The members of the Committee shall elect the Chairman from amongst their number who shall be Independent Non-Executive Directors.
- (c) If the number of members for any reasons fall below three (3), the Board shall, within three (3) months of that event, appoint such numbers of new members as may be required to make up the minimum number of three (3) members.
- (d) The term of office for all members of the Committee is subject to renewal on a yearly basis.
- (e) The Company Secretary shall be the Secretary of the Committee
- (f) Directors do not participate in decisions on their own remuneration packages.

## Terms of Reference

- (a) To review and recommend to the Board the remuneration of each of the executive and non-executive directors in all its forms, drawing from outside advice as necessary.
- (b) To recommend to the Board after reviewing the management's proposals on:
  - Overall annual salary increment frameworks/policy.
  - Annual bonus limits/ guidelines and incentive scheme.
  - Fees and basic salary levels.
  - Remuneration, benefits in kinds and other terms and conditions of employment, which have to be introduced as part of the group's overall human resource development plan. This would include matters such as pegging the Group salaries in line with industry standards and major changes in benefits package.

# NOMINATION COMMITTEE AND TERMS OF REFERENCE

The Nomination Committee comprises the following directors during the year

- Hau Hock Khun Chairman, Independent Non-Executive Director
- Chu Kan Independent Non-Executive Director
- Tan Lye Huat Group Executive Chairman and Managing Director
- Rita Tai Lai Ling Independent Non-Executive Director

- (a) The members of the Nomination Committee shall be appointed by the Board from amongst their number, consisting of wholly or mainly Non-Executives and shall consist not less than three (3) members.
- (b) The members of the Committee shall elect the Chairman from amongst their number who shall be Independent Non-Executive Director.
- (c) If the number of members for any reasons fall below three (3), the Committee shall, within three (3) months of that event, review and recommend for the Board's approval appropriate Director to fill the vacancy.
- (d) The term of office for all members of the Committee is subject to renewal on a yearly basis.
- (e) The Company Secretary shall be the Secretary of the Committee.
- (f) Directors do not participate in decisions on their own nomination.

## **Terms of Reference**

- (a) To propose new nominees for the Boards and its subsidiaries whether to be filled by Board members, shareholders or executives.

The Committee shall also consider candidates for directorships proposed by the Managing Director and within the bounds of practicality by any other senior executive or any director or shareholder.

- (b) To make recommendations to the Board of Directors to fill seats on Board Committees.
- (c) To assist the Board annually in reviewing the required mix of skills of experience and other qualities, including core competencies, which Non Executive Directors should bring to the Board.
- (d) To annually carry out the process to be implemented by the Board for assessing the effectiveness of the Board as a whole, the Committees of the Board and for assessing the contribution of each individual Director.
- (e) To review management's proposals for the appointment, dismissal, transfer and promotions of all executives.

## **Meetings and Procedures**

Meetings are to be held as and when necessary. The quorum for each meeting shall be two (2). The Committee will decide its own procedures and other administrative arrangements.

Minutes of each meeting shall be kept by the Secretary as evidence that the Committee has discharged its functions. The Chairman of the Committee will report to the Board after each Nomination Committee meeting.

During the financial year ended 31<sup>st</sup> October 2011, three meetings were held, which was attended by all members of the Nomination Committee.

# INTERNAL CONTROL STATEMENT

## INTERNAL CONTROL STATEMENT

The Board is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. The Board has prepared the following statement in accordance with paragraph 15.26 (b) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad (BMSB).

### Board Responsibility

The Board of Directors acknowledges their responsibility for the Group's system of internal controls and reviewing its adequacy. The system includes financial controls, operational and compliance controls and risk management to safeguard shareholders' investments and the Group's assets. Because of the limitations that are inherent in any system of internal control, the system is designed to manage the principal business risks that may impede the Group from achieving its business objectives, rather than eliminate the risk of failure to achieve corporate objectives. The system, by its nature, can only provide reasonable but not absolute assurance against any material misstatement or loss.

The key elements of the Group's Internal Control are described below:

- Clearly defined delegation of responsibilities of the Board, Committee and Management of the Group including authorisation's level for all aspect of business. Subsidiary companies have clear accountabilities to ensure appropriate risk management and control procedures are in place;

- Clearly documented internal procedures in the ISO 9001, where applicable, for its subsidiaries;

- Detailed budgeting process whereby subsidiary companies prepare budgets for the coming year which are approved by their respective Boards and endorsed by the Board of H&L.

- Regular and comprehensive information provided to Board of Directors and Management, covering operational and financial performance;

- Monitoring actual results against budget. Significant variances are investigated and followed up, and where necessary, management actions are taken;

- Internal audit visit by outsourced internal auditors are to review and appraise the internal control system within the Group in accordance with the approved internal audit plan.

- The Group Executive Chairman and Managing Director provide briefing to the Board on significant changes in the business and external environment, which affect the operation of the Group at large;

- The Audit Committee Chairman provides the Board and deliberates with quarterly financial information, including pertinent explanation on the performance of the Group vis-à-vis the market situation;

- Where areas of improvement in the system are identified, the Board considers the recommendations made by the Audit Committee and the Management; and

- There is an ongoing process for identifying, evaluating and managing the significant risk faced by the Company.

The Board engages an independent firm of consultants to assist the Board in reviewing and appraising the internal control system within the Group. The Board regularly reviews the Group's key commercial and financial risks together with general risks relating to compliance with laws and regulations so that reasonable level of assurance that the system of controls and operations is appropriate to the Group's situation and that there is an acceptable level of risk throughout the Group's businesses.

During the financial year, the results of findings by the internal audit function, including the recommended corrective actions, were reported directly to the Audit Committee. The Board is of the opinion that there were no material losses incurred during the financial year as a result of weakness in internal control. The Audit Committee considers report from the internal audit function and comments from Management before making recommendation to the Board to strengthen the internal control system.

This statement is made in accordance with the resolution of Board of Directors dated 27 March 2012.

# OTHER INFORMATION

## Other Information

### 1. Non Audit Fees

The amount of non audit-fees paid/payable to external auditors and its affiliates for the financial year ended 31 October 2011 amounted to RM8,000 (2010: RM5,000).

### 2. Revaluation Policy on Landed Properties

The revaluation policy on landed properties is as disclosed in the financial statement.

### 3. Share Buy-backs

There were share buy-back during the financial year. The details of purchase are as follow:-

Month	Number of shares	Highest price per share (RM)	Lowest price per share (RM)	Average price per share (RM)	Total Purchase Consideration Paid (RM)
Jul-11	1,072,000	1.0800	0.8550	0.9978	1,069,632

The details of the share retained as treasury shares during the financial year are as follow:-

	As at 1.11.2010	Purchase	Sold / Cancelled / Distributed	As at 31.10.2011
Number of shares	2,963,560	1,072,000	-	4,035,560
At Cost (RM)	2,484,861	1,069,632	-	3,554,493
Average price per share (RM)	0.8385	0.9978	-	0.8808

### 4. Sanctions and /or Penalties Imposed

There were no public sanctions and / or penalties imposed on the Company and it's other subsidiaries, directors or management by any other relevant authorities.

### 5. Depository Receipt Programme

Kumpulan H & L High-Tech Berhad has not sponsored any Depository Receipt Programme during the financial year.

### 6. Material Contracts

During the financial year there were no material contracts entered into by the Company or its subsidiary involving interest of Directors and major shareholders of the Company that have not been reflected in the financial statement.

### 7. Variation in results

There was no material variance between the results for the financial year and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projections for the financial year.

### 8. Profit Guarantees

The Company did not give any profit guarantees during the financial year.

### 9. Utilisation of Proceeds

No proceeds were raised by the Company for any corporate exercise during the financial year.

### 10. Recurrent Related Party Transaction of a Revenue or Trading Nature

During the financial year, the company and its subsidiaries had not entered into any recurrent related party transactions, which are of revenue or trading nature, which requires shareholders' mandate.

### 11. Options , Warrants or Convertible Securities

There was no exercise of options, warrants or convertible securities during the financial year.



# FINANCIAL STATEMENT

31 OCTOBER 2011

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# DIRECTOR'S REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 October 2011.

## PRINCIPAL ACTIVITIES

The Company is principally an investment holding company.

The principal activities of the subsidiary companies are disclosed in Note 8 to the Financial Statements.

There were no significant changes in the nature of activities of the Company and its subsidiary companies during the financial year.

## FINANCIAL RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	<u>2,310,100</u>	<u>(56,728)</u>
Attributable to:-		
Owners of the parent	2,443,395	(56,728)
Non-controlling interests	<u>(133,295)</u>	<u>-</u>
	<u>2,310,100</u>	<u>(56,728)</u>

## DIVIDENDS

The amount of dividends paid and declared since the end of the last financial year were as follows:-

RM

In respect of the financial year ended 31 October 2010 and was paid on 18 May 2011:-

First and final tax exempt dividend of 1.0 sen per ordinary share for total ordinary shares of 37,648,525	<u>376,486</u>
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# DIRECTOR'S REPORT

## DIVIDENDS (CONT'D)

Subsequent to the end of the reporting period, a first interim tax exempt dividend, in respect of financial year ended 31 October 2011 of 3 sen per ordinary share of RM1.00 each was declared and paid on 29 January 2012.

The Directors do not recommend any final dividend payment for the current financial year.

## RESERVES AND PROVISIONS

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

## DIRECTORS

The Directors in office since the date of the last report are:-

Tan Lye Huat  
Tan Kim Lai  
Tan Ho Foot  
Tan Sook Yee  
Chu Kan  
Rita Tai Lai Ling  
Hau Hock Khun

In accordance with Article 97 of the Company's Articles of Association, Mr. Tan Lye Huat and Mr. Tan Kim Lai retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

According to the register of Directors' shareholdings, the Directors who held office at the end of the financial year and who have interest in shares of the Company and its related corporations were as follows:-

	----- Ordinary share of RM1.00 each -----			
	At <u>1.11.2010</u>	<u>Bought</u>	<u>Sold</u>	At <u>31.10.2011</u>
<b>Company</b>				
<b><u>Direct interest</u></b>				
Tan Lye Huat	1,739,272	-	-	1,739,272
Tan Ho Foot	569,702	-	-	569,702
Tan Kim Lai	1,703,418	-	-	1,703,418
Tan Sook Yee	664,756	140,000	-	804,756

# DIRECTOR'S REPORT

----- Ordinary share of RM1.00 each -----				
	At <u>1.11.2010</u>	<u>Bought</u>	<u>Sold</u>	At <u>31.10.2011</u>
<b>Company</b>				
<b><u>Indirect interest</u></b>				
Tan Lye Huat	24,062,968	1,102,800	-	25,165,768
Tan Ho Foot	17,813,731	-	-	17,813,731
Tan Kim Lai	16,680,015	417,875	-	17,097,890
Tan Sook Yee	19,973,324	962,800	-	20,936,124

By virtue of the interest in shares of the Company, Tan Lye Huat, Tan Ho Foot, Tan Kim Lai and Tan Sook Yee are deemed to have interest in the shares of all the subsidiary companies under Section 6A of the Companies Act, 1965 to the extent that the Company has an interest.

No other Directors at the end of the financial year held any interest in shares of the Company and its related corporations during the financial year.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of previous financial year, no Director has received or become entitled to receive any benefit (except for those disclosed in Notes 27 and 31 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

## AUDIT COMMITTEE

The members of the Audit Committee are:-

Chu Kan (Chairman of audit committee, Independent Non-Executive Director)  
 Rita Tai Lai Ling (Independent Non-Executive Director)  
 Hau Hock Khun (Independent Non-Executive Director)

The functions of the Audit Committee are to review accounting policies, internal controls, financial results and annual financial statements of the Group and of the Company on behalf of the Board of Directors.

In performing its functions, the Committee reviewed the overall scope of external audit. It met with the Group's auditors to discuss the results of their examinations and their evaluation of the system of internal controls of the Group and of the Company. The Committee also reviewed the assistance given by the officers of the Group and of the Company to the auditors.

The Committee reviewed the financial statements of the Company and the consolidated financial statements of the Group as well as of the auditors' report thereon.

# DIRECTOR'S REPORT

## ISSUE OF SHARES AND DEBENTURES

There were no shares or debentures issued during the financial year.

## TREASURY SHARES

The shareholders of the Company, by a special resolution passed at an Annual General Meeting held on 28 March 2007, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed in the last Annual General Meeting held on 28 April 2011. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interest of the Company and its shareholders.

During the financial year, the Company repurchased 1,072,000 ordinary shares of RM1.00 each of its issued share capital from the open market. The average price for the shares repurchased was approximately RM0.998 per share. The repurchase transactions were financed by internal generated funds. The shares repurchased were held as treasury shares and treated in accordance with the requirements of Section 67A of the Companies Act, 1965.

The Company has the right to cancel or to resell these shares and/or distributes as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended. None of the treasury shares repurchased during the financial year had been sold as at the reporting date.

As at the reporting date, the number of ordinary shares in issue after deducting treasury shares against equity is 36,576,525 ordinary shares of RM1.00 each.

## OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

- (a) to ascertain that 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 bad debts to be written off and no provision for doubtful debts was required; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

# DIRECTOR'S REPORT

## OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

- (a) any charge on the assets of the Group and of the Company which have arisen since the end of the financial year which secure the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which have arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) 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, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (b) the results of 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; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

## SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 38 to the Financial Statements.

## AUDITORS

The Auditors, Messrs SJ Grant Thornton have expressed their willingness to continue in office. Signed on behalf of the Board of Director in accordance with a resolution of the Board of Directors.

TAN LYE HUAT )  
 ) DIRECTORS  
TAN KIM LAI )

Kuala Lumpur  
27 February 2012

# STATEMENT BY DIRECTORS & STATUTORY DECLARATION

## **KUMPULAN H&L HIGH-TECH BERHAD** (Incorporated in Malaysia) **AND ITS SUBSIDIARY COMPANIES**

### **STATEMENT BY DIRECTORS**

In the opinion of the Directors, the financial statements set out on pages 24 to 90 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 31 October 2011 and of their financial performance and cash flows for the financial year then ended.

The supplementary information as set out in Note 39, page 91 is prepared in accordance with 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 Requirement, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

TAN LYE HUAT

TAN KIM LAI

Kuala Lumpur  
27 February 2012

### **STATUTORY DECLARATION**

I, Chong Kong Hui, being the Officer primarily responsible for the financial management of Kumpulan H & L High-Tech Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 24 to 91 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared )  
by the abovenamed at Kuala Lumpur )  
in the Federal Territory this day of )  
27 February 2012 )

CHONG KONG HUI

Before me:

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

## **Report on the Financial Statements**

We have audited the financial statements of Kumpulan H&L High-Tech Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 October 2011, the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes as enumerated in Notes 1 to 38 and set out on pages 24 to 91.

## **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 is 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 Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

## *Basis for Qualified Opinion*

As discussed in Note 8 to the financial statements, a flood in Thailand has destroyed some of the accounting records and related documents of a subsidiary company, H & L High Tech Mould (Thailand) Co. Ltd ("HLMT") and thus no audited financial statements are available. The Group financial statements were prepared using the management prepared financial statements of the said subsidiary company. We are unable to ascertain the possible adjustments, if any, that may be required to be made to the Group financial statements had the audited financial statements of this subsidiary company been made available. The financial contribution of HLMT to the Group's assets and liabilities as at 31 October 2011 are RM1,759,529 and RM1,035,492 respectively and the current year's revenue and loss are RM2,503,132 and RM444,315 respectively.

# INDEPENDENT AUDITORS' REPORT

## *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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 31 October 2011 and of their financial performance and cash flows for the financial year then ended.

## **Report on Other Legal and Regulatory Requirements**

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) The financial statements and the auditors' report of the subsidiary company of which we have not acted as auditors, as disclosed in Note 8 to the Financial Statements are not available as mentioned in the Basis for Qualified Opinion paragraph.
- c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, except for the subsidiary company mentioned in the Basis for Qualified Opinion paragraph.
- d) The auditors' reports on the financial statements of the subsidiary companies did not contain any qualification or any comment made under Section 174 (3) of the Act, except that the auditors' report of HLMT is not available as mentioned in the Basis for Qualified Opinion paragraph.

## **Other Reporting Responsibilities**

The supplementary information set out in Note 39 to the Financial Statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysian Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## **Other Matters**

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

SJ GRANT THORNTON  
(NO. AF: 0737)  
CHARTERED ACCOUNTANTS

TAN CHEE BENG  
CHARTERED ACCOUNTANT  
(NO: 2664/02/13(J))

Kuala Lumpur  
27 February 2012

# STATEMENTS OF FINANCIAL POSITION

## STATEMENTS OF FINANCIAL POSITION AS AT 31 OCTOBER 2011

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	4	14,169,772	15,453,133	-	-
Investment properties	5	14,271,803	14,447,881	-	-
Land held for property development	6	2,197,665	2,909,359	-	-
Prepaid land lease payments	7	1,962,423	1,987,265	-	-
Investment in subsidiary companies	8	-	-	23,416,967	23,416,967
Other investments	9	165,000	187,000	-	-
Total non-current assets		32,766,663	34,984,638	23,416,967	23,416,967
<b>CURRENT ASSETS</b>					
Property development costs	10	711,694	-	-	-
Inventories	11	4,692,612	4,861,648	-	-
Trade receivables	12	4,041,082	5,362,111	-	-
Other receivables	13	1,116,875	864,627	12,633	11,766
Amount due from subsidiary companies	8	-	-	7,146,797	10,824,182
Other investments	9	2,403,485	838,067	-	-
Tax recoverable		47,484	80,113	495	8,675
Deposits with licensed financial institutions	14	18,976,238	6,176,531	11,387,303	10,654
Cash and bank balances		2,966,604	10,389,516	58,320	6,796,846
Total current assets		34,956,074	28,572,613	18,605,548	17,652,123
<b>TOTAL ASSETS</b>		<b>67,722,737</b>	<b>63,557,251</b>	<b>42,022,515</b>	<b>41,069,090</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent:</b>					
Share capital	15	40,612,085	40,612,085	40,612,085	40,612,085
Treasury shares	16	(3,554,493)	(2,484,861)	(3,554,493)	(2,484,861)
Revaluation reserve	17	1,535,485	1,535,485	-	-
Exchange translation reserve	18	149,734	177,975	-	-
Retained earnings	19	13,009,861	10,942,952	2,449,516	2,882,730
		51,752,672	50,783,636	39,507,108	41,009,954
Non-controlling interests		217,211	365,309	-	-
<b>Total equity</b>		<b>51,969,883</b>	<b>51,148,945</b>	<b>39,507,108</b>	<b>41,009,954</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	20	9,331,228	5,034,468	-	-
Hire purchase creditors	21	223,773	64,567	-	-
Government grants	22	20,939	41,878	-	-
Deferred taxation	23	1,490,300	1,373,200	-	-
Total non-current liabilities		11,066,240	6,514,113	-	-
<b>Current liabilities</b>					
Trade payables	24	787,590	1,460,738	-	-
Other payables	25	2,764,810	3,464,738	59,788	59,136
Amount due to subsidiary company	8	-	-	2,455,619	-
Government grants	22	20,940	20,940	-	-
Borrowings	20	911,020	764,794	-	-
Hire purchase creditors	21	110,438	99,091	-	-
Tax payable		91,816	83,892	-	-
Total current liabilities		4,686,614	5,894,193	2,515,407	59,136
<b>Total liabilities</b>		<b>15,752,854</b>	<b>12,408,306</b>	<b>2,515,407</b>	<b>59,136</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>67,722,737</b>	<b>63,557,251</b>	<b>42,022,515</b>	<b>41,069,090</b>

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



# STATEMENTS OF COMPREHENSIVE INCOME

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2011

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Revenue	26	25,759,416	23,635,059	-	-
Cost of sales		(18,534,336)	(18,441,174)	-	-
Gross profit		7,225,080	5,193,885	-	-
Other income		1,701,651	1,014,291	153,960	381,352
Selling and distribution expenses		(763,096)	(811,177)	-	-
Administration expenses		(3,612,458)	(3,444,060)	(95,301)	(88,872)
Other expenses		(1,375,350)	(1,415,772)	(115,387)	(111,734)
Finance costs		(277,097)	(173,050)	-	-
Profit/(loss) before taxation	27	2,898,730	364,117	(56,728)	180,746
Taxation	28	(588,630)	1,108,711	-	-
Profit/(loss) for the financial year		2,310,100	1,472,828	(56,728)	180,746
<b>Other comprehensive income, net of tax</b>					
Exchange translation differences		(43,044)	55,161	-	-
<b>Total comprehensive income/(loss) for the financial year</b>		<u>2,267,056</u>	<u>1,527,989</u>	<u>(56,728)</u>	<u>180,746</u>
<b>Profit/(Loss) for the financial year attributable to:-</b>					
Owners of the parent		2,443,395	1,704,757	(56,728)	180,746
Non-controlling interests		(133,295)	(231,929)	-	-
		<u>2,310,100</u>	<u>1,472,828</u>	<u>(56,728)</u>	<u>180,746</u>
<b>Total comprehensive income/(loss) attributable to:-</b>					
Owners of the parent		2,415,154	1,745,303	(56,728)	180,746
Non-controlling interests		(148,098)	(217,314)	-	-
		<u>2,267,056</u>	<u>1,527,989</u>	<u>(56,728)</u>	<u>180,746</u>
Earning per share attributable to the owners of the parent (sen)	29	<u>6.68</u>	<u>4.53</u>		

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

# STATEMENTS OF CHANGES IN EQUITY

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2011

	Attributable to owners of the parent					Non-controlling interests RM	Total equity RM
	Share capital RM	Revaluation reserve RM	Exchange translation reserve RM	Treasury shares RM	Retained earnings RM		
<b>Group</b>							
Balance at 1 November 2009	40,612,085	1,543,721	129,193	(2,484,861)	9,614,681	582,623	49,997,442
Total comprehensive income	-	(8,236)	48,782	-	1,704,757	(217,314)	1,527,989
Transactions with owners: Dividend paid (Note 30)	-	-	-	-	(376,486)	-	(376,486)
Balance at 31 October 2010	40,612,085	1,535,485	177,975	(2,484,861)	10,942,952	365,309	51,148,945
Total comprehensive income	-	-	(28,241)	-	2,443,395	(148,098)	2,267,056
Transaction with owners: Purchase of treasury shares (Note 16)	-	-	-	(1,069,632)	-	-	(1,069,632)
Dividend paid (Note 30)	-	-	-	-	(376,486)	-	(376,486)
Balance at 31 October 2011	40,612,085	1,535,485	149,734	(3,554,493)	13,009,861	217,211	51,969,883
<b>Company</b>							
Balance at 1 November 2009	40,612,085	-	-	(2,484,861)	3,078,470	-	41,205,694
Total comprehensive income	-	-	-	-	180,746	-	180,746
Transactions with owners: Dividend paid (Note 30)	-	-	-	-	(376,486)	-	(376,486)
Balance at 31 October 2010	40,612,085	-	-	(2,484,861)	2,882,730	-	41,009,954
Total comprehensive loss	-	-	-	-	(56,728)	-	(56,728)
Transaction with owners: Purchase of treasury shares (Note 16)	-	-	-	(1,069,632)	-	-	(1,069,632)
Dividend paid (Note 30)	-	-	-	-	(376,486)	-	(376,486)
Balance at 31 October 2011	40,612,085	-	-	(3,554,493)	2,449,516	-	39,507,108

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

# STATEMENTS OF CASH FLOWS

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2011

	<u>Note</u>	<u>Group</u> <u>2011</u> RM	<u>2010</u> RM	<u>Company</u> <u>2011</u> RM	<u>2010</u> RM
<b>OPERATING ACTIVITIES</b>					
Profit/(loss) before taxation		2,898,730	364,117	(56,728)	180,746
<b>Adjustments for:-</b>					
Reversal of impairment loss on investment in subsidiary companies		-	-	-	(300,000)
Impairment loss on obsolete inventories		21,589	46,076	-	-
Amortisation of prepaid land lease payments		24,842	24,841	-	-
Amortisation of deferred income		(20,939)	(20,940)	-	-
Depreciation of investment properties		176,078	176,079	-	-
Depreciation of property, plant and equipment		2,388,170	2,439,538	-	-
Dividend income		(33,560)	(7,770)	-	-
Interest income		(313,701)	(293,546)	(153,960)	(81,352)
Inventories written off		-	30,870	-	-
Interest expense		277,097	173,050	-	-
Unrealised loss/(gain) on foreign exchange		131,217	(140,537)	-	-
Gain on disposal of property, plant and equipment		(32,362)	(112,002)	-	-
Impairment of property, plant and equipment		439,141	478,191	-	-
Gain on disposal of held for trading investment		(156,659)	(896)	-	-
Reversal of impairment loss on property, plant and equipment		(4,181)	-	-	-
Reversal of impairment loss on other investment		(36,000)	-	-	-
Reversal of impairment loss on receivables		-	(11,131)	-	-
Gain on disposal of investment properties, net of tax		(121,134)	-	-	-
Net fair value gain on held for trading investment		(152,203)	(51,297)	-	-
Reversal of impairment loss on obsolete inventories		(41,058)	(8,791)	-	-
Property, plant and equipment written off		-	2,362	-	-
		5,445,067	3,088,214	(210,688)	(200,606)
Inventories		188,505	(1,026,004)	-	-
Receivables		1,033,594	(997,368)	(867)	(1,094)
Payables		(1,379,847)	2,220,963	652	(216)
Subsidiary companies		-	-	6,133,004	6,405,241
Cash generated from operations		5,287,319	3,285,805	5,922,101	6,203,325
Tax refund		23,540	515,687	12,540	-
Tax paid		(458,799)	(246,312)	(4,360)	(8,135)
Net cash from operating activities		4,852,060	3,555,180	5,930,281	6,195,190

# STATEMENTS OF CASH FLOWS

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2011 (CONT'D)

	<u>Note</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
		RM	RM	RM	RM
<b>INVESTING ACTIVITIES</b>					
Dividend received from quoted investments		31,466	6,227	-	-
Interest received		313,701	293,546	153,960	81,460
Proceeds from disposal of property, plant and equipment		38,050	200,091	-	-
Proceeds from disposal of held for trading investment		1,222,514	28,093	-	-
Proceed from disposal of investment properties		1,627,510	-	-	-
Purchase of property, plant and equipment	A	(1,288,762)	(2,191,181)	-	-
Purchase of held for trading investment		(2,421,070)	(611,517)	-	-
Purchase of investment properties		(1,500,000)	-	-	-
Net cash (used in)/from investing activities		(1,976,591)	(2,274,741)	153,960	81,460
<b>FINANCING ACTIVITIES</b>					
Purchase of treasury shares		(1,069,632)	-	(1,069,632)	-
Repayment of hire purchase		(129,447)	(108,631)	-	-
Interest paid		(277,097)	(173,050)	-	-
Dividend paid		(376,486)	(376,486)	(376,486)	(376,486)
Drawdown of borrowings		5,000,000	6,306,703	-	-
Repayment of borrowings		(557,014)	(2,625,139)	-	-
Net cash from/(used in) financing activities		2,590,324	3,023,397	(1,446,118)	(376,486)
<b>CASH AND CASH EQUIVALENTS</b>					
Net increase		5,465,793	4,303,836	4,638,123	5,900,164
Effect of exchange rate changes		(88,998)	56,739	-	-
Brought forward		16,566,047	12,205,472	6,807,500	907,336
Carried forward	B	21,942,842	16,566,047	11,445,623	6,807,500

### A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group acquired property, plant and equipment with an aggregate cost of RM1,588,762 (2010: RM2,279,357) of which RM300,000 (2010: RM88,176) was acquired by means of hire purchase. Cash payment of RM1,288,762 (2010: RM2,191,181) for the Group was made to purchase the property, plant and equipment.

### B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following items:-

	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	RM	RM	RM	RM
Cash and bank balances	2,966,604	10,389,516	58,320	6,796,846
Deposits with financial institutions (Note 14)	18,976,238	6,176,531	11,387,303	10,654
	21,942,842	16,566,047	11,445,623	6,807,500

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Chamber E, Lian Seng Courts, 275 Jalan Haruan, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan Darul Khusus. The principal place of business of the Company is located at No. 6, Jalan TSB 1, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan.

The Company is principally an investment holding company.

The principal activities of the subsidiary companies are disclosed in Note 8 to the financial statements.

There were no significant changes in the nature of activities of the Company and its subsidiary companies during the financial year.

The financial statements were authorised for issued by the Board of Directors in accordance with a resolution of the Directors on 27 February 2012.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 in Malaysia and Financial Reporting Standards issued by the Malaysian Accounting Standards Board ("MASB").

### 2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

### 2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION (CONT'D)

### 2.4 Standards Issued But Not Yet Effective

#### (i) New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards

To converge with International Financial Reporting Standards ("IFRSs") in 2012, the Malaysian Accounting Standards Board, the MASB had on 19 November 2011, issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), which are mandatory for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture ("Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRSs for an additional one year. Consequently, adoption of the MFRSs by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013. However, the Group and the Company do not qualify as Transitioning Entities and are therefore required to adopt the MFRSs for the financial period beginning on or after 1 November 2012.

Below are the lists of MFRSs and IC Interpretations ("IC Int") issued but not yet effective and have not been early adopted by the Group and the Company:

#### MFRSs effective on 1 January 2012

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 4	Insurance Contracts
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 7	Financial Instruments: Disclosures
MFRS 8	Operating Segments
MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events After the Reporting Period
MFRS 111	Construction Contracts
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 117	Leases
MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 123	Borrowing Costs
MFRS 124	Related Party Disclosures
MFRS 126	Accounting and Reporting by Retirement Benefit Plans
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investments in Associates
MFRS 129	Financial Reporting in Hyperinflationary Economies
MFRS 131	Interests in Joint Ventures
MFRS 132	Financial Instruments: Presentation
MFRS 133	Earnings Per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instruments: Recognition and Measurement
MFRS 140	Investment Property
MFRS 141	Agriculture

# NOTES TO THE FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION (CONT'D)

IC Int 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Int 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Int 4	Determining whether an Arrangement contains a Lease
IC Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Int 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
IC Int 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies
IC Int 9	Reassessment of Embedded Derivatives
IC Int 10	Interim Financial Reporting and Impairment
IC Int 12	Service Concession Arrangements
IC Int 13	Customer Loyalty Programmes
IC Int 14	MFRS 119-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Int 15	Agreements for the Construction of Real Estate
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distributions of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments
IC Int 107	Introduction of the Euro
IC Int 110	Government Assistance-No Specific Relation to Operating Activities
IC Int 112	Consolidation –Special Purpose Entities
IC Int 113	Jointly Controlled Entities-Non-Monetary Contributions by Venturers
IC Int 115	Operating Leases-Incentives
IC Int 125	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders
IC Int 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC Int 129	Service Concession Arrangements: Disclosures
IC Int 131	Revenue-Barter Transactions Involving Advertising Services
IC Int 132	Intangible Assets-Web Site Costs

### Amendments to MFRS effective on 1 July 2012

MFRS 101	Presentation of Financial Statements
	Amendments in relation to Presentation of Items of Other Comprehensive Income

### MFRSs effective on 1 January 2013

MFRS 9	Financial Instruments (IFRS 9 issued by International Accounting Standards Board ("IASB") in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (International Accounting Standard ("IAS") 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine

The Group and the Company have not selected which optional exemption from the retrospective application to be applied under MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards. As such, the Directors are unable to anticipate the effects of the adoption of these new MFRSs and IC Int on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION (CONT'D)

### (ii) Amendments/Improvements to FRSs

The following amendments/improvements to FRSs are not yet effective and have not been early adopted by the Group and the Company :

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to FRSs</u>		
FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
FRS 7	Disclosures –Transfer of Financial Assets	1 January 2012
FRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 112	Deferred tax : Recovery of Underlying Assets	1 January 2012

The Directors anticipate that the adoption of these standards will have no material impact on the financial statements of the Group and the Company in the period for initial application.

### 2.5 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

#### Key sources of estimation uncertainty

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

#### Useful lives of depreciable assets

Property, plant and equipment are depreciated in a straight-line basis over their useful life. Management estimated the useful life of these assets to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

#### Impairment of investment properties

The Group carried out the impairment test based on a variety of estimation including the value-in-use of the cash-generating unit to which the investment properties are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from cash-generated unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### Impairment of land held for property development

The Group carried out impairment review on land held for property development based on market value for similar properties. Changes in market value for similar properties could impact the amount of impairment being estimated.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 Significant Accounting Estimates and Judgements (cont'd)

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

##### Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to economical and technology changes which may cause selling prices to change rapidly, and the Group's profit to change.

##### Impairment of receivables

The Group assesses at each report 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 receivables at the reporting date is disclosed in Note 12 to the financial statements.

##### Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses, unabsorbed capital allowances and unabsorbed reinvestment allowances to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences, unutilised tax losses, unabsorbed capital allowances and unabsorbed reinvestment 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.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The recognised and unrecognised deferred tax assets during the financial year of the Group have been fully described in Note 23 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 Significant Accounting Estimates and Judgements (cont'd)

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

##### Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques, the management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, the management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

#### Significant management judgement in applying accounting policies

The significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements are as follow:-

##### Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

##### Available-for-sale investment

The Group reviews its available-for-sale investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. No further impairment loss has been provided for available-for-sale investment during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of consolidation

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies.

All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated on consolidation unless cost cannot be recovered.

The financial statements of the Company and its subsidiary companies are all drawn up to the same reporting date.

Acquisition of subsidiary companies is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition (for all acquisition took place before 1 November 2009). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

All the subsidiary companies within the Group are acquired before 1 November 2009.

Any excess of the cost of the business combination 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 business combination is recognised as income in the profit and loss on the date of acquisition.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group. They are presented separately and disclosed in the profit or loss of the Group, and within the equity in the consolidated statement of financial position, separately from parent shareholders' equity. Transactions with non controlling interest are accounted for using the entity concept method, whereby, transactions with non controlling interests are accounted for as transactions with owners. On acquisition of non controlling 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 non controlling interests is recognised directly in equity.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Subsidiary companies are consolidated using the purchase method of accounting from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

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

### 3.2 Property, plant and equipment

Property, plant and equipment are initially stated at cost. Factory and buildings are subsequently shown at market values, based on revaluations of external values, less subsequent accumulated depreciation and any accumulated impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses.

Revaluation is made once in every five years by independent valuers on an open market value basis. Any revaluation increase is credited to other comprehensive income and shown as revaluation reserve in shareholders' equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case, the increase is recognised in the profit or loss to the extent of the decrease previously recognised. A revaluation decrease is first offset against an increase on unutilised valuation surplus previously recognised in respect of the same asset and is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributed revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

Property, plant and equipment under construction are not depreciated. Depreciation on other property, plant and equipment is calculated to write off the cost or valuation of the assets on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:-

Factory and buildings	2%
Plant and machinery	10% - 20%
Motor vehicles	20%
Office equipment, furniture and fittings	10% - 20%
Warehouse	10%
Renovation	10%
Tools and utensils	10% - 14%
Electrical installation	10%

Restoration cost relating to an item of property, plant and equipment is capitalised only if such expenditure is expected to increase the future benefits from the existing property, plant and equipment which beyond its previously assessed standard of performance.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Property, plant and equipment (cont'd)

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, the amount is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset at arm's length basis between knowledgeable, willing parties, less the costs of disposal.

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

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 arising on derecognition of the asset is included in the profit or loss in the financial year the asset is derecognised.

### 3.3 Assets acquired under lease agreements

#### Finance lease and hire-purchase

Assets acquired under finance lease and hire-purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

Finance charges are allocated to the profit or loss over the period of the agreements to give a constant periodic rate of charge on the remaining finance lease and hire-purchase liabilities.

#### Prepaid lease payments

Leasehold land that normally has an indefinite economic life and where the lease does not transfer substantially all the risk and rewards incidental to ownership is treated as an operating lease. The payment made on entering into or acquiring the leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided except for leasehold land that would otherwise meet the definition of an investment property.

The Group had previously revalued its leasehold land and has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions in FRS 117. Such prepaid lease payments is amortised over the lease term of 86 years.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.4 Investment properties

Investment properties consist of freehold land and buildings held for capital appreciation or rental purpose and not occupied or only an insignificant portion is occupied for use or in the operations of the Group.

Investment properties are treated as long-term investments and are measured initially at cost, including transaction costs less any accumulated depreciation and impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful life of 31 to 50 years for buildings. Freehold land is not depreciated.

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

### 3.5 Subsidiary companies

A subsidiary company is a company in which the Company or the Group either directly or indirectly owns the power to govern its financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies is stated at cost. Where an indication of impairment exists, the carrying amount of the subsidiary companies is assessed and written down immediately to their recoverable amount.

### 3.6 Land held for property development

Land held for property development, stated at cost less impairment losses. It is classified as non-current assets when no development work has been carried out or where development activities are not expected to be completed within the normal operating cycle. It is stated at cost less any accumulated impairment losses.

Cost associated with the acquisition of land includes the purchase price of the land and incidental costs directly attributable to its acquisition.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the outcome of a development activity can be estimated reliably, property development revenue and expenses are recognised in the profit or loss by using the percentage of completion method. The percentage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

When the outcome of a development activity cannot be estimated reliably, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on development units sold are recognised as an expense in the period in which they are incurred.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs (including expected defect liability expenditure) will exceed total property development revenue, any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset and are stated at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the profit or loss is classified as progress billings within trade payables.

### 3.8 Inventories

Inventories comprising raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value after adequate specific allowance has been made by the Directors for deteriorated, obsolete and slow-moving inventories.

Cost is determined on a first-in-first-out method. The costs of raw materials comprise costs of purchase plus the cost of bringing the inventories to their present condition and location. The costs of work-in-progress and finished goods comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Financial instruments

The financial instruments are described as below:-

#### (a) Financial assets

Financial assets which are under the scope of FRS 139, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least once at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or when the financial assets and all substantial risks and rewards are transferred.

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 market place 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.

The Group does not have held-to-maturity investments and the Company does not have financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Other categories of financial assets are described below:-



# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Financial instruments (cont'd)

#### (a) Financial assets (cont'd)

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

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

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

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments (including separated embedded derivatives) which are acquired principally for the purpose of selling in the near term fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Subsequent to initial recognition, assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists. 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 expenses or other income.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Financial instruments (cont'd)

#### (a) Financial assets (cont'd)

##### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include the equity instruments.

Available-for-sale financial assets are measured at fair value subsequent to the initial recognition. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Interest is calculated using the effective interest method and dividends are recognised in profit or loss. Dividends on an available-for-sale equity are recognised in profit or loss when the Group's right to receive payment is established.

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

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

#### (b) Financial liabilities

The Group's financial liabilities include trade payables, other payables, loans and borrowings are measured at amortised cost using the effective interest method. Financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the financial instrument. All interest related charges are recognised as "finance costs" in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.10 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.

#### 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 considers 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.

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 flow 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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES(CONT'D)

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

#### 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.

### 3.11 Impairment of non-financial assets

At each reporting date, the Group and the Company review the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. Non-financial asset is tested for impairment annually at financial year end or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash generating unit is less than its carrying amount. Recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

An impairment loss is recognised as an expense in profit and loss immediately.

In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

All reversals of impairment losses are recognised as income immediately in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

### 3.12 Foreign currency transactions and balances

The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the parent company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates, whether realised or unrealised, are recognised in profit or loss except for exchange differences arising from monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profits 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.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the RM (the Group's presentation currency) are translated into RM upon consolidation. The functional currency of the entities in the Group have remained unchanged during the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.12 Foreign currency transactions and balances (cont'd)

On consolidation, assets and liabilities have been translated into RM at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity (the exchange translation reserve) are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into RM at the closing rate.

### 3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and fixed deposits pledged to licensed banks which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date is classified as non-current asset.

### 3.14 Income tax

#### Current tax

Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised in financial position as liability (or asset) to the extent that it is unpaid (or refundable). Current tax is 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.

#### Deferred tax

Deferred tax liabilities and assets are provided for under the liability method in respect of all temporary differences at the reporting date between the carrying amount of an asset or liability in the financial position and its tax base including unused tax losses, capital allowances and reinvestment allowances.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.14 Income tax (cont'd)

#### Deferred tax(cont'd)

Deferred tax liabilities are recognised for all temporary differences, except (cont'd):

- in respect of taxable temporary differences associated with investment 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 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, 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 a deferred tax asset is reviewed at each reporting date. If 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, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit. 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.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.14 Income tax (cont'd)

#### Deferred tax (cont'd)

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.

### 3.15 Deferred income

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grant used for financial support, assistance or to reimburse costs incurred by the Group are recognised in the profit or loss on the straight line basis over the expected lives of 5 years of the related products.

### 3.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Revenue from sale of goods is recognised in the profit or loss upon delivery of goods and customers' acceptance, net of discounts and sales returns.

Rental income is recognised on accrual basis unless collectibility is in doubt.

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

Interest income is recognised in the profit or loss on time proportion basis taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

### 3.17 Employee benefits

#### Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.



# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.17 Employee benefits (cont'd)

#### Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employee's Provident Fund ("EPF"). Foreign subsidiary company is also make contribution to their respective country's statutory pension scheme.

### 3.18 Equity, reserves and dividend payments

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

Share capital represents the nominal value of shares that have been issued.

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment. Foreign currency translation differences arising on the translation of the Company's foreign entities are included in the exchange translation reserve. Gains and losses on certain financial instruments are included in reserves for available-for-sale financial assets and cash-flow hedges respectively.

Retained earnings include all current and prior period retained profits.

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grants the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

All transactions with owners of the parent are recorded separately within equity.

### 3.19 Treasury shares

When issued shares of the Company are repurchased, the consideration paid, including directly attributable costs is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the profit or loss on the sale, reissuance or cancellation of treasury shares.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.19 Treasury shares (cont'd)

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

When treasury shares are reissued by resale, the difference between the sale consideration net of directly attributable costs and the carrying amount of the treasury shares is shown as a movement in equity.

### 3.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. 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.

Other borrowing costs are expensed in the period in which 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.

### 3.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified to make strategic decisions. Additional disclosures on each of these segments are shown in Note 37.

### 3.22 Earnings per ordinary shares

The Group presents basic earnings per share data for its ordinary shares (EPS).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company based on the weighted average number of ordinary shares outstanding during the period.

### 3.23 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow or economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs such that outflow is probable and can be measured reliably, they will then be recognised as a provision.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. PROPERTY, PLANT AND EQUIPMENT

Group	-At valuation-		----- At cost -----							Total RM
	Factory and buildings RM	Plant and machinery RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Warehouse RM	Renovations RM	Electrical installation RM	Tools and utensils RM	Tools and utensils under construction RM	
<b>Cost or valuation</b>										
At 1.11.2009	7,629,985	33,573,734	3,591,904	5,557,742	582,068	846,127	1,090,388	5,246,066	168,500	58,286,514
Additions	-	1,650,533	400,282	97,949	4,150	-	-	93,647	32,796	2,279,357
Disposals	-	(719,650)	-	(3,500)	(1,000)	-	-	(1,700)	-	(725,850)
Written off	-	(27,006)	(47,240)	-	-	-	-	-	-	(74,246)
Reclassification	-	31,738	-	-	-	-	-	-	(31,738)	-
Currency translation difference	28,332	54,201	4,960	8,806	-	-	-	37,763	65	134,127
At 31.10.2010	7,658,317	34,563,550	3,949,906	5,660,997	585,218	846,127	1,090,388	5,375,776	169,623	59,899,902
Additions	-	737,536	522,155	142,906	44,163	93,500	-	39,073	9,429	1,588,762
Disposals	-	(168,822)	(119,153)	-	-	-	-	(659,955)	-	(947,930)
Reclassification	-	-	-	-	-	-	-	162,419	(162,419)	-
Currency translation difference	(28,074)	(58,781)	(9,230)	(9,374)	-	-	-	(37,579)	(103)	(143,141)
At 31.10.2011	7,630,243	35,073,483	4,343,678	5,794,529	629,381	939,627	1,090,388	4,879,734	16,530	60,397,593

# NOTES TO THE FINANCIAL STATEMENTS

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

Group	-At valuation-		----- At cost -----							Total
	Factory and buildings RM	Plant and machinery RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Warehouse RM	Renovations RM	Electrical installation RM	Tools and utensils RM	Tools and utensils under construction RM	
<b>Accumulated depreciation</b>										
At 1.11.2009	419,437	28,742,477	2,890,204	4,935,954	276,198	498,345	1,002,113	3,361,221	-	42,125,949
Charge for the financial year	186,710	1,230,723	351,520	215,670	40,664	67,039	17,029	330,183	-	2,439,538
Disposals	-	(631,562)	-	(3,499)	(1,000)	-	-	(1,700)	-	(637,761)
Written off	-	(27,006)	(44,878)	-	-	-	-	-	-	(71,884)
Currency translation difference	11,993	(80,684)	4,787	7,906	-	-	-	142,827	-	86,829
At 31.10.2010	618,140	29,233,948	3,201,633	5,156,031	315,862	565,384	1,019,142	3,832,531	-	43,942,671
Charge for the financial year	186,243	1,306,770	329,500	168,103	43,144	73,310	16,421	264,679	-	2,388,170
Disposals	-	(161,566)	(119,153)	-	-	-	-	(187,928)	-	(468,647)
Currency translation difference	(6,310)	(45,026)	(5,036)	(8,053)	-	-	-	(17,047)	-	(81,472)
At 31.10.2011	798,073	30,334,126	3,406,944	5,316,081	359,006	638,694	1,035,563	3,892,235	-	45,780,722
<b>Accumulated impairment loss</b>										
At 1.11.2009	6,384	14,108	-	-	-	-	-	-	-	20,492
Impairment during the financial year	-	-	-	-	-	-	-	478,191	-	478,191
Currency translation difference	(2,056)	(4,544)	-	-	-	-	-	12,015	-	5,415
At 31.10.2010	4,328	9,564	-	-	-	-	-	490,206	-	504,098
Impairment during the financial year	-	439,141	-	-	-	-	-	-	-	439,141
Reversal of impairment loss during the financial year	(4,181)	-	-	-	-	-	-	-	-	(4,181)
Disposals	-	-	-	-	-	-	-	(473,595)	-	(473,595)
Currency translation difference	(147)	(1,606)	-	-	-	-	-	(16,611)	-	(18,364)
At 31.10.2011	-	447,099	-	-	-	-	-	-	-	447,099
<b>Net carrying amount</b>										
<b>2011</b>	6,832,170	4,292,258	936,734	478,448	270,375	300,933	54,825	987,499	16,530	14,169,772
<b>2010</b>	7,035,849	5,320,038	748,273	504,966	269,356	280,743	71,246	1,053,039	169,623	15,453,133

# NOTES TO THE FINANCIAL STATEMENTS

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

	<u>2011</u> RM	<u>2010</u> RM
<b>Net carrying amount of assets under hire purchase</b>		
Motor vehicles	<u>715,341</u>	<u>349,171</u>

- (a) Factory buildings were revalued in 2007, based on valuation carried out by an independent professional valuer, Lim Chan Mee, FISM, FRICS, Chartered Valuation Surveyor and Registered Valuer (V213) of Colliers, Jordan Lee & Jaafar Sdn. Bhd., on an open market value basis to reflect the market value of existing use.

At the reporting date, had the revalued factory buildings of the Group carried under the cost model, the carrying amount would have been RM3,707,339 (2010: RM3,830,778).

- (b) Buildings were revalued in 2007, based on valuation carried out by an independent professional valuer, Judy Ong Mei-Chen, MRICS MISM, Chartered Valuation Surveyor & Registered Valuer (V-448) of Collier, Jordan Lee & Jaafar Sdn. Bhd. on an open market value basis to reflect market value of existing use.

At the reporting date, had the revalued buildings of the Group been carried under the cost model, the carrying amount would have been RM352,786 (2010: RM360,840).

## 5. INVESTMENT PROPERTIES

	<u>2011</u> RM	<u>2010</u> RM
<b>Freehold land and factory buildings</b>		
<b>Cost</b>		
At beginning of financial year	15,592,669	15,592,669
Addition	1,500,000	-
Disposal	<u>(1,500,000)</u>	<u>-</u>
At end of financial year	<u>15,592,669</u>	<u>15,592,669</u>
<b>Accumulated amortisation</b>		
At beginning of financial year	1,144,788	968,709
Amortisation charged to profit or loss	<u>176,078</u>	<u>176,079</u>
At end of financial year	<u>1,320,866</u>	<u>1,144,788</u>
<b>Net carrying amount</b>	<u>14,271,803</u>	<u>14,447,881</u>
<b>Fair value</b>	<u>24,400,000</u>	<u>24,400,000</u>
Rental income for investment properties	1,480,723	1,533,327
Direct operating expenses for investment properties	<u>71,679</u>	<u>74,091</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 5. INVESTMENT PROPERTIES (CONT'D)

The Group has retained the unamortised revalued amount as the surrogate carrying amount of freehold land and buildings in accordance with transitional provisions of FRS 140.

Freehold land and buildings of a subsidiary company with net carrying amount of RM4,819,356 and RM6,216,968 (2010: RM4,819,356 and RM6,361,549) respectively have been charged to a bank for credit granted to the subsidiary company.

The fair value of investment properties, which consist of freehold land and factory buildings, are estimated by reference made to the information provided by certified independent professional valuer.

Fair value is defined as the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

## 6. LAND HELD FOR PROPERTY DEVELOPMENT

	<b>Group</b>	
	<u>2011</u> RM	<u>2010</u> RM
<b>Freehold land</b>		
<b>Cost</b>		
At beginning of financial year	2,909,359	2,909,359
Transfer to property development costs (Note 10)	(711,694)	-
At end of financial year	<u>2,197,665</u>	<u>2,909,359</u>

Title deeds of the freehold land are currently surrendered to Perak state authority as part of condition of joint venture entered into by a subsidiary company during the financial year, as further detailed in Note 38 to the Financial Statements.

## 7. PREPAID LAND LEASE PAYMENTS

	<b>Group</b>	
	<u>2011</u> RM	<u>2010</u> RM
<b>Cost</b>		
At beginning of financial year/At end of financial year	<u>2,136,309</u>	<u>2,136,309</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 7. PREPAID LAND LEASE PAYMENTS (CONT'D)

	Group	
	<u>2011</u> RM	<u>2010</u> RM
<b>Accumulated amortisation</b>		
At beginning of financial year	149,044	124,203
Amortisation charged to profit or loss	24,842	24,841
At end of financial year	173,886	149,044
<b>Net carrying amount</b>	<u>1,962,423</u>	<u>1,987,265</u>
Analysed as:-		
Long term leasehold land	<u>1,962,423</u>	<u>1,987,265</u>

The long leasehold land of the Group was previously revalued in 2002 based on revaluation carried by an independent professional valuer, P'ng Soo Theng, BSc FRICS MISM, Registered Valuer (V140) of CH Williams Talhar & Wong Sdn. Bhd., on an open market value basis. The Company retained the unamortised revalued amount as the surrogate carrying amount of prepaid land lease payments in accordance with the transitional provisions of FRS 117.

## 8. INVESTMENT IN SUBSIDIARY COMPANIES/AMOUNT DUE FROM SUBSIDIARY COMPANIES

		Company		
		<u>2011</u> RM	<u>2010</u> RM	
<b>Investment in subsidiary companies</b>				
Unquoted shares, at cost		<u>23,416,967</u>	<u>23,416,967</u>	
<u>Name of company</u>	<u>Place of incorporation</u>	<u>Effective interest</u>		<u>Principal activities</u>
		<u>2011</u> %	<u>2010</u> %	
1. H & L High-Tech Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of precision engineering moulds, dies, jigs, fixtures, tools and other precision machine parts.
2. Plastik STC Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of customised precision engineering plastic injection moulded thermoplastic and thermosett parts and components for electrical and electronic industry. Letting of equipment and office furniture.
3. H & L High-Tech Deco Sdn. Bhd.	Malaysia	100	100	Letting of properties and property investment.
4. H & L High-Tech Properties Sdn. Bhd.	Malaysia	100	100	Letting of properties and property investment.

# NOTES TO THE FINANCIAL STATEMENTS

## 8. INVESTMENT IN SUBSIDIARY COMPANIES/AMOUNT DUE FROM SUBSIDIARY COMPANIES (CONT'D)

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Effective interest</u>		<u>Principal activities</u>
		<u>2011</u>	<u>2010</u>	
		<u>%</u>	<u>%</u>	
5. H & L High-Tech Properties Development Sdn. Bhd.	Malaysia	100	100	Property development.
6. H & L Mould Solution Sdn. Bhd.	Malaysia	100	100	Dormant
<b>Subsidiary company of H&amp;L High-Tech Sdn. Bhd.:-</b>				
H & L High Tech Mould (Thailand) Co. Ltd *	Thailand	70	70	Manufacture and sale of plastic and metal moulds.
<b>Subsidiary company of Plastik STC Sdn. Bhd.:-</b>				
STC Technology Sdn. Bhd.	Malaysia	100	100	Manufacture and sales of customised precision engineering plastic injection mould thermoplastic, thermosett parts and components for the electrical and electronic industry. However, the Company has become dormant since the prior financial year.

\* Subsidiary company not audited by SJ Grant Thornton

During the financial year, some of the accounting records and related documents of H & L High Tech Mould (Thailand) Co. Ltd were destroyed by flood and the audited financial statements for the financial year ended 31 October 2011 were not made available.

The summary of unaudited financial position as at 31 October 2011 and financial results for the financial year ended of the abovementioned subsidiary company used in the preparation of the Group financial statements, is set out below:

	RM
Revenue	2,503,132
Expenses	(2,947,447)
Loss after tax	(444,315)
Assets*	1,759,529
Liabilities	1,035,492
Equity	724,037

\* In view of the flood damage and uncertainty of the extend damage for the machine, full provision for impairment loss has been made for the plant and machinery affected by the flood.

The amounts due from/to subsidiary companies are unsecured, bear no interest and are repayable on demand.



# NOTES TO THE FINANCIAL STATEMENTS

## 9. OTHER INVESTMENTS

### Group

	Golf club membership RM	Unquoted shares in Malaysia RM	Quoted shares in Malaysia RM	Total RM
<b>2011</b>				
<b>Non-current</b>				
Available-for-sale financial assets	180,000	50,000	-	230,000
Less: Impairment loss	(65,000)	-	-	(65,000)
	<u>115,000</u>	<u>50,000</u>	<u>-</u>	<u>165,000</u>
<b>Current</b>				
Financial assets at fair value through profit or loss	-	-	2,403,485	2,403,485
	<u>115,000</u>	<u>50,000</u>	<u>2,403,485</u>	<u>2,568,485</u>
Representing items:				
At cost	115,000	50,000	-	165,000
At fair value	-	-	2,403,485	2,403,485
	<u>115,000</u>	<u>50,000</u>	<u>2,403,485</u>	<u>2,568,485</u>
Market value of quoted investments	-	-	2,403,485	2,403,485
<b>2010</b>				
<b>Non-current</b>				
Available for-sale financial assets	238,000	50,000	-	288,000
Less : Impairment loss	(101,000)	-	-	(101,000)
	<u>137,000</u>	<u>50,000</u>	<u>-</u>	<u>187,000</u>
<b>Current</b>				
Financial assets at fair value through profit or loss	-	-	838,067	838,067
	<u>137,000</u>	<u>50,000</u>	<u>838,067</u>	<u>1,025,067</u>
Representing items:				
At cost	137,000	50,000	-	187,000
At fair value	-	-	838,067	838,067
	<u>137,000</u>	<u>50,000</u>	<u>838,067</u>	<u>1,025,067</u>
Market value of quoted investments	-	-	838,067	838,067

# NOTES TO THE FINANCIAL STATEMENTS

## 10. PROPERTY DEVELOPMENT COSTS

	<b>Group Freehold land RM</b>
At 1 November 2010	-
Transfer from land held for property development (Note 6)	<u>711,694</u>
At 31 October 2011	<u><u>711,694</u></u>

Title deeds of the freehold land are current surrendered to Perak state authority as part of condition of joint venture agreement entered into by a subsidiary company during the financial year, as further detailed in Note 38 to the Financial Statements.

## 11. INVENTORIES

	<b>Group</b>	
	<u>2011</u> RM	<u>2010</u> RM
At cost:-		
Raw materials	1,321,373	1,196,114
Work-in-progress	1,205,962	1,716,261
Finished goods	<u>2,165,277</u>	<u>1,949,273</u>
	<u><u>4,692,612</u></u>	<u><u>4,861,648</u></u>
Recognised in profit or loss:-		
Inventories recognised at cost of sales	16,325,638	16,624,576
Write-down to net realisable value	21,589	41,058
Reversal of write-down	<u>41,058</u>	<u>-</u>

The reversal of write-down of inventories was made during the financial year when related inventories were sold above their carrying amounts.

## 12. TRADE RECEIVABLES

	<b>Group</b>	
	<u>2011</u> RM	<u>2010</u> RM
Trade receivables	4,041,082	5,362,111
Less: Allowance for impairment		
Balance brought forward	-	(11,131)
Recognised	-	-
Reversed	-	11,131
Balance carried forward	<u>-</u>	<u>-</u>
	<u><u>4,041,082</u></u>	<u><u>5,362,111</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

## 12. TRADE RECEIVABLES (CONT'D)

Included in trade receivables is an amount of RM41,044 (2010 : RM84,359) due from a corporate shareholder of a subsidiary company.

The ageing analysis of trade receivables is as follows:-

	<u>Gross</u> RM	Individually <u>impaired</u> RM	<u>Net</u> RM
<b>2011</b>			
Within credit terms	1,616,337	-	1,616,337
Past due 1-30 days but not impaired	1,030,804	-	1,030,804
Past due 31-120 days but not impaired	1,126,280	-	1,126,280
Past due more than 120 days but not impaired	267,661	-	267,661
	<u>4,041,082</u>	<u>-</u>	<u>4,041,082</u>
<b>2010</b>			
Within credit terms	1,587,330	-	1,587,330
Past due 1-30 days but not impaired	1,568,114	-	1,568,114
Past due 31-120 days but not impaired	1,839,205	-	1,839,205
Past due more than 120 days but not impaired	367,462	-	367,462
	<u>5,362,111</u>	<u>-</u>	<u>5,362,111</u>

The normal credit term given to the customers range from 30 to 90 days (2010 : 30 to 90 days).

## 13. OTHER RECEIVABLES

	<b>Group</b>		<b>Company</b>	
	<u>2011</u> RM	<u>2010</u> RM	<u>2011</u> RM	<u>2010</u> RM
Non-trade receivables	342,603	327,405	-	-
Deposits	523,105	254,662	1,000	1,000
Prepayments	251,167	282,560	11,633	10,766
	<u>1,116,875</u>	<u>864,627</u>	<u>12,633</u>	<u>11,766</u>

Included in deposits of the Group is an amount of RM454,125 (2010: Nil) paid for the acquisition of leasehold land and building.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

The interest rates for deposits with licensed financial institutions of the Group and the Company ranged from 1.90% to 3.70% (2010: 2.75% to 3.70%) and 2.00% to 2.60% (2010: 2.00% to 2.60%) per annum respectively.

### Group

Included in deposits with licensed financial institutions is an amount of RM85,961 (2010: RM84,671) which has been pledged for banking facilities granted to the subsidiary companies.

Included in deposits with licensed financial institutions is an amount of RM28,604 (2010: RM20,385) held in trust by certain directors.

## 15. SHARE CAPITAL

	<b>Group and Company</b>	
	<u>2011</u>	<u>2010</u>
	RM	RM
Authorised:-		
Ordinary shares of RM1.00 each		
50,000,000 shares at beginning/end of financial year	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid up:-		
Ordinary shares of RM1.00 each		
40,612,085 shares at beginning/end of financial year	<u>40,612,085</u>	<u>40,612,085</u>

## 16. TREASURY SHARES

	<b>Group and Company</b>			
	<u>2011</u>		<u>2010</u>	
	No. of treasury share	RM	No. of treasury share	RM
At beginning of financial year	2,963,560	2,484,861	2,963,560	2,484,861
Share repurchased as treasury share	<u>1,072,000</u>	<u>1,069,632</u>	<u>-</u>	<u>-</u>
At end of financial year	<u>4,035,560</u>	<u>3,554,493</u>	<u>2,963,560</u>	<u>2,484,861</u>

The shareholders of the Company, by a special resolution passed at an Annual General Meeting held on 28 March 2007, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed in the last Annual General Meeting held on 28 April 2011. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interest of the Company and its shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

## 16. **TREASURY SHARES (CONT'D)**

During the financial year, the Company repurchased 1,072,000 of its issued share capital from the open market at the average price paid of approximately RM0.998 per share. The repurchase transactions were financed by internally generated funds.

The shares purchased were retained as treasury shares. The Company has the right to re-issue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

As at the reporting date, the Group held 4,035,560 (2010: 2,963,560) of the Company's shares and the number of outstanding shares in issue after setting off treasury shares against equity is 36,576,525 (2010: 37,648,525).

No treasury shares were sold during the financial year.

## 17. **REVALUATION RESERVE**

The revaluation reserve is not available for distribution.

## 18. **EXCHANGE TRANSLATION RESERVE**

### **Group**

The exchange translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the foreign subsidiary company.

## 19. **RETAINED EARNINGS**

### **Company**

The Company has elected the irrevocable option to disregard Section 108 balance in prior year. As a result, there is no longer any restriction on the Company to frank the payment of dividend out of its entire retained earnings as at the reporting date under the single tier system.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. BORROWINGS

	<b>Group</b>	
	<u>2011</u>	<u>2010</u>
	RM	RM
<b>Current</b>		
Secured:-		
Term loan	911,020	713,664
Unsecured:-		
Other loan	-	51,130
	<u>911,020</u>	<u>764,794</u>
<b>Non-current</b>		
Secured:-		
Term loan	9,331,228	4,998,003
Unsecured:-		
Other loan	-	36,465
	<u>9,331,228</u>	<u>5,034,468</u>
	<u>10,242,248</u>	<u>5,799,262</u>
Repayment terms		
- not later than 1 year	911,020	764,794
- between 1 to 5 years	4,555,100	3,604,785
- later than 5 years	4,776,128	1,429,683
	<u>10,242,248</u>	<u>5,799,262</u>

The above term loan was utilised by a subsidiary company for the working capital purposes.

The interest rate of term loan and other loan are charged at the rate of 4.60% (2010: 4.30%) and Nil% (2010 : 4.25%) per annum respectively.

The term loan is secured by way of:-

- (i) Fixed charge against freehold land and building of a subsidiary company;
- (ii) Assignment of rental proceeds; and
- (iii) Corporate guarantee by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 21. HIRE PURCHASE CREDITORS

	<b>Group</b>	
	<u>2011</u>	<u>2010</u>
	RM	RM
Minimum lease payments		
- not later than 1 year	130,158	103,607
- later than 1 year but not later than 5 years	231,546	68,683
	<u>361,704</u>	<u>172,290</u>
Less: Interest-in-suspense	(27,493)	(8,632)
Present value of hire purchase creditors	<u>334,211</u>	<u>163,658</u>
Present value of hire purchase creditors		
- not later than 1 year	110,438	99,091
- later than 1 year but not later than 5 years	223,773	64,567
	<u>334,211</u>	<u>163,658</u>

The interest rate of hire purchase is charged at rates ranging from 4.5% to 4.85% (2010: 4.6%) per annum respectively.

## 22. GOVERNMENT GRANTS

	<b>Group</b>	
	<u>2011</u>	<u>2010</u>
	RM	RM
At beginning of financial year	62,818	83,758
Amortised during the financial year	(20,939)	(20,940)
At end of financial year	<u>41,879</u>	<u>62,818</u>
<b>Current</b>		
- amortised within the next 12 months	20,940	20,940
<b>Non-current</b>		
- amortised after the next 12 months	20,939	41,878
	<u>41,879</u>	<u>62,818</u>

The government grant received is in respect of the purchase of a software under the scheme of E-Pengilangan by the Small and Medium Industries Development Corporation.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. DEFERRED TAXATION

- (a) The deferred taxation is made up of the following:-

	<b>Group</b>	
	<u>2011</u> RM	<u>2010</u> RM
At beginning of financial year	1,373,200	2,543,139
Transferred to/(from) profit or loss (Note 28)	123,059	(1,163,980)
Crystallisation of deferred taxation upon depreciation charged on revalued assets	(5,959)	(5,959)
At end of financial year	<u>1,490,300</u>	<u>1,373,200</u>

The components of deferred tax liabilities/(assets) are made up of temporary difference arising from:-

	<b>Group</b>	
	<u>2011</u> RM	<u>2010</u> RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	1,665,274	1,790,200
Revaluation surplus	409,200	421,000
Unutilised reinvestment allowances	(380,674)	(830,000)
Unabsorbed capital allowances	(191,250)	(8,000)
Unutilised business losses	(12,250)	-
	<u>1,490,300</u>	<u>1,373,200</u>

- (b) As at reporting date, deferred taxation benefits for the following temporary differences have not been recognised in the financial statements:-

	<b>Group</b>	
	<u>2011</u> RM	<u>2010</u> RM
Unutilised tax losses	1,432,500	1,037,000
Unabsorbed capital allowances	34,300	1,141,300
Other temporary differences	509,400	509,400
	<u>1,976,200</u>	<u>2,687,700</u>

Potential deferred tax assets are not recognised in financial statements as it is anticipated that the tax effects of such deferrals will not reverse in the near future.



# NOTES TO THE FINANCIAL STATEMENTS

## 24. TRADE PAYABLES

The normal credit term granted by trade payables ranges from 30 to 60 days (2010 : 30 to 60 days).

## 25. OTHER PAYABLES

	<b>Group</b>		<b>Company</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	RM	RM	RM	RM
Sundry deposits	1,083,861	310,035	-	-
Deposits from customers	657,552	1,872,164	-	-
Non-trade payables	340,183	478,771	-	-
Accruals of expenses	683,214	803,768	59,788	59,136
	<u>2,764,810</u>	<u>3,464,738</u>	<u>59,788</u>	<u>59,136</u>

Included in non-trade payables of the Group is an amount of RM8,135 (2010 : RM66,463) due to a corporate shareholder of a subsidiary company.

Included in sundry deposits of the Group is an amount of RM300,000 (2010: Nil) received in relation with a subsidiary company entering into a Joint Venture Agreement with PYHomes Realty Sdn. Bhd. for the purpose of developing the subsidiary company's lands into a mixed residential project with the usual amenities.

## 26. REVENUE

	<b>Group</b>		<b>Company</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	RM	RM	RM	RM
Sales of goods	24,421,493	22,244,092	-	-
Rental income	1,337,923	1,390,967	-	-
	<u>25,759,416</u>	<u>23,635,059</u>	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 27. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been determined after charging/(crediting) amongst other items the following: -

	<b>Group</b>		<b>Company</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	RM	RM	RM	RM
Impairment loss on obsolete inventories	21,589	46,076	-	-
Amortisation of prepaid land lease payments	24,842	24,841	-	-
Auditors' remuneration:-				
- statutory audit	67,800	58,000	22,000	20,000
- other auditor	8,479	18,215	-	-
- other services	8,000	8,000	8,000	8,000
Depreciation of investment properties	176,078	176,079	-	-
Depreciation of property, plant and equipment	2,388,170	2,439,538	-	-
Impairment loss of property, plant and equipment	439,141	478,191	-	-
Interest expense				
- hire purchase	8,897	5,756	-	-
- term loans	268,200	167,294	-	-
Inventories written off	-	30,870	-	-
Property, plant and equipment written off	-	2,362	-	-
Rental expense	25,300	52,871	-	-
Gain on disposal of property, plant and equipment	(32,362)	(112,002)	-	-
Reversal of impairment loss on property, plant and equipment	(4,181)	-	-	-
Unrealised foreign exchange				
- gain	-	(140,537)	-	-
- loss	131,217	-	-	-
Realised foreign exchange				
- gain	(209,018)	-	-	-
- loss	-	236,238	-	-
Interest income	(313,701)	(293,546)	(153,960)	(81,352)
Amortisation of deferred income	(20,939)	(20,940)	-	-
Reversal of impairment loss on other investment	(36,000)	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 27. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

	<b>Group</b>		<b>Company</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	RM	RM	RM	RM
Gain on disposal of held for trading investment	(156,659)	(896)	-	-
Gross dividend from quoted shares in Malaysia	(33,560)	(7,770)	-	-
Rental income	(142,800)	(1,527,327)	-	-
Reversal of impairment loss on receivables	-	(11,131)	-	-
Reversal of impairment loss on investment in subsidiary companies	-	-	-	(300,000)
Reversal of impairment loss on obsolete inventories	(41,058)	(8,791)	-	-
Net fair value gain on held for trading investment	(152,203)	(51,297)	-	-
Gain on disposal of investment properties, net of tax	(121,134)	-	-	-

The details of remuneration received and receivable by Directors of the Group and the Company during the financial year are as follows:-

### Executive:-

Defined contribution plans	74,724	76,168	-	-
Salaries and others emoluments	702,500	689,517	-	-

### Non-Executive:-

Fees	39,000	39,000	39,000	39,000
Others	22,600	20,000	22,600	20,000

The estimated monetary value of benefit-in-kind received by the Directors other than cash from the Group amounted to RM41,725 (2010: RM41,725).

## 28. TAXATION

	<b>Group</b>		<b>Company</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	RM	RM	RM	RM
Current year's taxation	472,195	255,500	-	-
Over provision in prior years	(665)	(194,272)	-	-
Crystallisation of deferred taxation upon depreciation charged for revalued assets	(5,959)	(5,959)	-	-
Transferred from/(to) deferred taxation (Note 23)	123,059	(1,163,980)	-	-
	588,630	(1,108,711)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 28. TAXATION (CONT'D)

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

	<b>Group</b>		<b>Company</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	RM	RM	RM	RM
Profit/(loss) before taxation	<u>2,898,730</u>	<u>364,117</u>	<u>(56,728)</u>	<u>180,746</u>
Taxation at Malaysian statutory tax rate of 25%	724,682	91,029	(14,182)	45,187
Tax effects in respects of:-				
Income not subject to tax	(137,310)	(128,349)	(38,084)	(92,871)
Expenses not deductible for tax purposes	278,484	180,624	52,266	47,684
Over provision in prior years	(665)	(194,272)	-	-
Deferred tax assets not recognised	111,971	445,213	-	-
Utilisation of unutilised tax losses, unabsorbed capital allowances and reinvestment allowances	(347,737)	(1,449,300)	-	-
Double deduction expenses	(34,836)	(47,697)	-	-
Crystallisation of deferred taxation upon depreciation charged of revalued assets	<u>(5,959)</u>	<u>(5,959)</u>	<u>-</u>	<u>-</u>
Effective tax expense	<u>588,630</u>	<u>(1,108,711)</u>	<u>-</u>	<u>-</u>

However, the above amounts are subject to the approval of the Inland Revenue Board of Malaysia.

## 29. EARNINGS PER SHARE

### Group

- The basic earnings per share has been calculated by dividing profit for the financial year attributable to ordinary equity holders of the Company of RM2,443,395 (2010: RM1,704,757) to the weighted average number of shares issued during the financial year of 36,576,525 (2010: 37,648,525), excluding treasury shares held by the Company.
- There is no diluted earnings per share as the Company does not have any convertible financial instruments as at reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## 30. DIVIDENDS

	<b>Group and Company</b>	
	<u>2011</u>	<u>2010</u>
	RM	RM
In respect of the financial year ended 31 October 2010 and was paid on 18 May 2011:-		
First and final tax exempt dividend of 1.0 sen per ordinary share for total ordinary shares of 37,648,525	376,486	-
In respect of the financial year ended 31 October 2009 and was paid on 20 May 2010:-		
First and final tax exempt dividend of 1.0 sen per ordinary share for total ordinary shares of 37,648,525	-	376,486

## 31. EMPLOYEE BENEFITS EXPENSE

	<b>Group</b>	
	<u>2011</u>	<u>2010</u>
	RM	RM
Staff costs:		
- Directors	777,844	765,685
- Other staff	6,686,502	7,702,869
	<u>7,464,346</u>	<u>8,468,554</u>
Included in staff costs is defined contribution plan as follows:		
- Directors	74,724	76,168
- Other staff	415,655	449,120
	<u>490,379</u>	<u>525,288</u>

## 32. CONTINGENT LIABILITY

	<b>Company</b>	
	<u>2011</u>	<u>2010</u>
	RM	RM
Unsecured:		
Guarantees given to financial institutions for credit facilities granted to a subsidiary company	<u>10,242,248</u>	<u>5,711,867</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 33. CAPITAL COMMITMENT

	<b>Group</b>	
	<u>2011</u>	<u>2010</u>
	RM	RM
<b>Capital expenditure</b>		
Authorised and contracted for:		
- Property, plant and equipment	<u>3,385,125</u>	<u>-</u>
Authorised and not contracted for:		
- Property, plant and equipment	<u>702,000</u>	<u>-</u>

## 34. RELATED PARTY DISCLOSURES

- (a) The significant related party transactions during the financial year are as follows:-

	<u>2011</u>	<u>2010</u>
	RM	RM
<b>Group</b>		
Expenses charged by a corporate shareholder of a subsidiary company:		
- Land rental fee	33,073	36,430
- Security fee	11,024	12,143
- Mould test fee	<u>25,088</u>	<u>3,947</u>

- (b) The outstanding balances arising from the related party transactions as at the reporting date are disclosed in Notes 8 and 25 to the financial statements.
- (c) The remuneration of key management personnel is same with the Directors' remuneration as disclosed in Note 27 to the financial statements. The Group and the Company have no other members of key management personnel apart from the Directors.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

### Financial risks

The Group is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's business whilst managing its credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the policy of the Group in respect of the major areas of treasury activity are set out as follows :

#### (a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the Group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of the head of credit control.

The areas where the Group is exposed to credit risk are as follows :

#### Receivables

As at reporting date, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statements of financial position.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables that are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the Group. The Group uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Financial risks (cont'd)

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

##### Receivables (cont'd)

The ageing analysis for trade receivables is disclosed in Note 12 to the financial statements.

The credit risk concentration profile by geographical on trade receivables of the Group as at reporting date is as follows :

	2011		2010	
	RM	%	RM	%
<b>By country :</b>				
Malaysia	1,729,766	43	2,372,728	44
European countries	1,832,382	45	1,307,998	24
Thailand	297,345	7	247,247	5
Singapore	-	-	1,139,115	21
United States	69,985	2	295,023	6
Others *	111,604	3	-	-
	<u>4,041,082</u>	<u>100</u>	<u>5,362,111</u>	<u>100</u>

\* Less than 1% for each of the country

In respect of trade and other receivables, the Group has no significant concentration of credit risk with any single counterparty except as disclosed below:-

#### **2011**

- (i) 14% of trade receivables at reporting date was due from one customer.

#### **2010**

- (i) 15% of trade receivables at reporting date was due from one customer.  
(ii) 47% of non-trade receivables at reporting date was due from the balance of proceeds of disposal of property, plant and equipment.

##### Investments and other financial assets

As at reporting date, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

Investments are mostly in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.



# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Financial risks (cont'd)

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

##### Investments and other financial assets (cont'd)

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations except for the impairment loss recognised in respect of unquoted investments as disclosed in Note 9 to the financial statements.

##### Intercompany balances

The maximum exposure to credit risk of the Company is represented by their carrying amounts in the statement of financial position.

The outstanding balances with intercompany are non trade related and there were no indication that the balances are not recoverable.

#### (b) Liquidity risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due as a result of shortage of funds.

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

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The liquidity risks arise principally from its payables, loans and hire purchase creditors. The repayment term of loans and hire purchase creditors are disclosed in Note 20 and 21 to the financial statements respectively.

#### (c) Foreign currency risks

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.

To mitigate the Group's exposure to foreign currency risk, the Group is exposed to foreign currency risk on sales, purchases and investments that are denominated in a currency other than the respective functional currencies of the subsidiary companies. The currency giving rise to this risk is primarily EURO, US Dollar (USD), Singapore Dollar (SGD) and Thai Baht.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Financial risks (cont'd)

#### (c) Foreign currency risks (cont'd)

The Group's exposure to foreign currency risk, based on carrying amounts as at the reporting date are as follows (foreign currency balances are unhedged) :-

	----- Denominated in -----			
	EURO RM	USD RM	SGD RM	Thai Baht RM
<b>2011</b>				
Trade receivables	820,878	533,558	659,534	204,533
Other receivables	-	-	-	-
Deposits with licensed banks	-	-	-	-
Cash and bank balances	396,230	266,931	61,143	38,348
Trade payables	-	(140,630)	(12,014)	-
Other payables	-	-	(6,408)	-
	<u>1,217,108</u>	<u>659,859</u>	<u>702,255</u>	<u>242,881</u>
	----- Denominated in -----			
	EURO RM	USD RM	SGD RM	Thai Baht RM
<b>2010</b>				
Trade receivables	1,301,998	295,023	1,139,115	-
Other receivables	-	-	-	-
Deposits with licensed banks	2,113,275	-	-	-
Cash and bank balances	1,012,519	663,845	160,893	2,206
Trade payables	-	-	(118,305)	-
Other payables	-	-	(30,914)	-
	<u>4,427,792</u>	<u>958,868</u>	<u>1,150,789</u>	<u>2,206</u>

The following table demonstrates the sensitivity of the Group's profit for the financial year to a reasonably possible change in the EURO, USD, SGD and Thai Baht exchange rates against the functional currency of the Company, with all other variables held constant.

	Increase/(Decrease) on profit for the year	
	2011 RM	2010 RM
<b>EURO/RM</b>		
- Strengthened 3%/10%	36,513	442,780
- Weakened 3%/10%	(36,513)	(442,780)
<b>USD/RM</b>		
- Strengthened 3%/10%	19,796	95,887
- Weakened 3%/10%	(19,796)	(95,887)

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Financial risks (cont'd)

#### (c) Foreign currency risks (cont'd)

	Increase/(Decrease) on profit for the year	
	2011	2010
	RM	RM
SGD/RM		
- Strengthened 3%/10%	21,068	115,079
- Weakened 3%/10%	(21,068)	(115,079)
Thai Baht/RM		
- Strengthened 3%/10%	7,286	221
- Weakened 3%/10%	(7,286)	(221)

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposures to foreign currency risk.

#### (d) Interest rate risks

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

The Group's investments in fixed rate debt securities and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

The Group's interest rate management objective is to manage the interest expense consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Financial risks (cont'd)

#### (d) Interest rate risks (cont'd)

The interest rate profile of the Group's and the Company's significant interest - bearing financial instruments, based on carrying amounts as at the end of the reporting date were:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
<b>Fixed rate instruments</b>				
<u>Financial asset</u>				
Deposits with licensed banks	18,976,238	6,176,531	11,387,303	10,654
<u>Financial liabilities</u>				
Hire purchase creditors	334,211	163,658	-	-
Other loan	-	87,595	-	-
<b>Floating rate instruments</b>				
<u>Financial liabilities</u>				
Term loan	10,242,248	5,711,667	-	-

#### Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss and do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

#### Fair value sensitivity analysis for floating rate instruments

At the reporting date, if interest rate had been 50 basis points lower/higher, with all the other variable held constant, the Group's profit for the financial year would have been RM51,211 (2010: RM28,559) higher/lower, arising mainly from lower/higher interest expense on floating rate borrowings.

#### (e) Equity price risks

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 foreign exchange or interest rates). Equity price risk arises from the Group's investments in equity securities quoted in Bursa Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Financial risks (cont'd)

#### (e) Equity price risks (cont'd)

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the authorised person of the Group.

#### Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and all the Group's equity investments moved in percentage of the share price.

A 10% increase in share price of each counter at the reporting date would have increase the Group's profit for the financial year by RM 240,348 (2010: RM83,807). A 10% weakening in the share price of each counter would have equal but opposite effect on the Group's profit for the financial year.

### Fair value of financial instruments

The carrying amounts of short term receivables and payable, cash and cash equivalents and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid prices at the reporting date.

### Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

# NOTES TO THE FINANCIAL STATEMENTS

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Financial risks (cont'd)

### Fair value hierarchy (cont'd)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>GROUP</b>				
<b>2011</b>				
<b>Financial assets at FVTPL</b>				
Non-derivative financial assets held for trading	2,403,485	-	-	2,403,485
<b>Available-for-sale financial assets</b>				
Unquoted shares	-	65,000	-	65,000
Total	2,403,485	65,000	-	2,468,485
<b>2010</b>				
<b>Financial assets at FVTPL</b>				
Non-derivative financial assets held for trading	838,067	-	-	838,067
<b>Available-for-sale financial assets</b>				
Unquoted shares	-	65,000	-	65,000
Total	838,067	65,000	-	903,067

There were no transfers between Level 1 and 2 in the reporting period.

## 36. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal gearing ratio that complies with debt covenants and regulatory requirements.

The Group monitors capital using a gearing ratio, which are the total interest bearing borrowings over owners' equity. The Group's policy is to keep the gearing ratio below 0.50. The borrowings include hire purchase creditors, term loan and other loan while owners' equity refers to the equity attributable to the owners of the parent company.

# NOTES TO THE FINANCIAL STATEMENTS

## 36. CAPITAL MANAGEMENT (CONT'D)

	GROUP	
	2011 RM	2010 RM
Total borrowings:		
- hire purchase creditors	334,211	163,658
- term loan	10,242,248	5,711,667
- other loan	-	87,595
	<u>10,576,459</u>	<u>5,962,920</u>
Owners' equity	51,752,672	50,783,636
Debt-to-equity ratio	0.20	0.12

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

## 37. OPERATING SEGMENT

### (i) Business segment

For management purposes, the Group is organised into two major business units based on their products and services which comprises the following:-

- (a) Manufacturing and trading - Manufacturing and sales of precision engineering moulds and other precision
- (b) Investment - Investment holding, letting of properties and properties investment

Management monitors the operating results to its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 37. OPERATING SEGMENT (CONT'D)

### (i) Business segment (cont'd)

Transfer prices between operating segments are on negotiated basis.

	<u>Note</u>	<u>Manufacturing and trading RM</u>	<u>Investment RM</u>	<u>Elimination RM</u>	<u>Total RM</u>
<b>2011</b>					
<b>Revenue:-</b>					
External revenue		24,421,493	1,337,923	-	25,759,416
Inter-segment revenue		333,342	-	(333,342)	-
Total revenue		24,754,835	1,337,923	(333,342)	25,759,416
<b>Results:-</b>					
Interest income		127,572	186,129	-	313,701
Finance cost		(8,897)	(268,200)	-	(277,097)
Depreciation and amortisation		(2,420,630)	(168,460)	-	(2,589,090)
Amortisation of government grant		(20,939)	-	-	(20,939)
Other non-cash income/expense	(a)	(169,484)	121,134	-	(48,350)
Taxation		(426,227)	(162,403)	-	(588,630)
Segment profit		1,922,187	387,913	-	2,310,100
<b>Assets:-</b>					
Additions to non-current assets	(b)	1,588,762	-	-	1,588,762
Segment assets		55,748,476	11,974,261	-	67,722,737
<b>Liabilities:-</b>					
Segment liabilities		4,541,474	11,211,380	-	15,752,854
<b>2010</b>					
<b>Revenue:-</b>					
External revenue		22,244,092	1,390,967	-	23,635,059
Inter-segment revenue		822,054	-	(822,054)	-
Total revenue		23,066,146	1,390,967	(822,054)	23,635,059



# NOTES TO THE FINANCIAL STATEMENTS

## 37. OPERATING SEGMENT (CONT'D)

### (i) Business segment (cont'd)

	Note	Manufacturing and trading RM	Property investment RM	Elimination RM	Total RM
<b>Results:-</b>					
Interest income		182,407	111,139	-	293,546
Finance cost		(8,232)	(164,818)	-	(173,050)
Depreciation and amortisation		(2,471,996)	(168,462)	-	(2,640,458)
Amortisation of government grant		(20,940)	-	-	(20,940)
Other non-cash income/ expense	(a)	(232,845)	-	-	(232,845)
Taxation		1,346,876	(238,165)	-	1,108,711
Segment profit		697,860	774,968	-	1,472,828
<b>Assets:-</b>					
Additions to non-current assets	(b)	2,279,357	-	-	2,279,357
Segment assets		38,865,080	24,692,171	-	63,557,251
<b>Liabilities:-</b>					
Segment liabilities		6,037,481	6,370,825	-	12,408,306

Notes:

(a) Notes to other non-cash income/(expense) consist of the following items:-

	2011 RM	2010 RM
Reversal of impairment loss on receivables	-	11,131
Reversal of impairment loss on obsolete inventories	41,058	8,791
Gain on disposal of property, plant and equipment	32,362	112,002
Gain on disposal of held for trading investment	156,659	896
Net fair value gain on held for trading investment	152,203	51,297
Gain on disposal of investment properties, net of tax	121,134	-
Unrealised (loss)/gain on foreign exchange	(131,217)	140,537
Impairment loss on property, plant and equipment	(439,141)	(478,191)
Reversal of impairment loss on property, plant and equipment	4,181	-
Reversal of impairment loss on other investment	36,000	-
Impairment loss on obsolete inventories	(21,589)	(46,076)
Inventories written off	-	(30,870)
Property, plant and equipment written off	-	(2,362)
	(48,350)	(232,845)

# NOTES TO THE FINANCIAL STATEMENTS

## 37. OPERATING SEGMENT (CONT'D)

- (i) Business segment (cont'd)
- (b) Additions to non-current assets consist of:-

	<b>2011</b> <b>RM</b>	<b>2010</b> <b>RM</b>
Property, plant and equipment	<u>1,588,762</u>	<u>2,279,357</u>

- (ii) Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:-

	<b>2011</b>		<b>2010</b>	
	<u>Revenue</u>	Non-current <u>Assets</u>	<u>Revenue</u>	Non-current <u>Assets</u>
	RM	RM	RM	RM
Malaysia*	9,486,317	32,105,158	10,994,748	33,800,860
South East Asia	4,229,171	661,505	2,632,003	1,183,778
European countries	11,961,316	-	8,591,913	-
Others	82,612	-	1,416,395	-
	<u>25,759,416</u>	<u>32,766,663</u>	<u>23,635,059</u>	<u>34,984,638</u>

\* The Company's home country

- (iii) Information about major customers

Revenue from 1 (2010: 4) customers amounted to RM2,743,109 (2010 : RM12,161,658) arising from sales by the manufacturing and trading segment and no major customers arising from investment segment.

## 38. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 20 July 2011, the subsidiary company, H & L High-Tech Properties Development Sdn Bhd entered into a joint venture agreement with PYHomes Realty Sdn. Bhd., to develop its lands into a mixed residential project. As at 31 October 2011, the development has taken place and only involved some portions of the lands. These portions are disclosed as Property Development Costs in Note 10 to the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 39. DISCLOSURES OF REALISED AND UNREALISED PROFITS

Bursa Malaysia Securities Berhad has on 25 March 2010 and 20 December 2010, issued directives requiring all listed corporations to disclose the breakdown of retained earnings or accumulated losses into realised and unrealised on group and company basis, as the case may be, in quarterly reports and annual audited financial statements.

The breakdown of retained earnings as at the reporting date, which has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants, are as follows:-

	<b>Group</b>	<b>Company</b>
	<u>2011</u>	<u>2011</u>
	RM	RM
Total retained earnings of the Company and its subsidiaries		
- Realised	31,222,090	2,449,516
- Unrealised	<u>(1,469,314)</u>	<u>-</u>
	29,752,776	2,449,516
Less: Consolidation adjustments	<u>(16,742,915)</u>	<u>-</u>
	<u>13,009,861</u>	<u>2,449,516</u>

# ANALYSIS OF SHAREHOLDINGS

## ANALYSIS OF SHAREHOLDINGS

AS AT 27 MARCH 2012

Authorised Share Capital	:	RM50,000,000
Issued & Fully Paid-Up Capital	:	RM40,612,085
No. of Shareholders	:	1,471
Class of Share	:	Ordinary share of RM1.00
Voting Rights	:	One vote for each ordinary share

## DISTRIBUTION SCHEDULE OF SHARE AS AT 27 MARCH 2012

SIZE OF SHAREHOLDINGS	No. of Holders		No. of shares		Percentage %	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
less than 100	229	5	8,023	264	0.02	0.00
100 to 1,000	70	0	27,766	-	0.07	0.00
1,001 to 10,000	1,009	3	2,933,437	7,450	7.22	0.02
10,001 to 100,000	125	1	2,807,660	35,875	6.91	0.09
100,001 to less than 5% of issued shares	25	0	12,441,164	-	30.63	0.00
5% and above of issued shares	4	0	22,350,446	-	55.03	0.00
Total	1,462	9	40,568,496	43,589	99.89	0.11

## LIST OF THIRTY (30) LARGEST SHAREHOLDINGS AS AT 27 MARCH 2012

NAME	No of Share Held	% of Issued Shared
1 AFFLUENT FUTURE SDN BHD	11,480,001	28.27
2 TAN LYE HUAT HOLDINGS SDN BHD	5,396,245	13.29
3 TAN AH HENG	2,891,040	7.12
4 KUMPULAN H & L HIGH-TECH BERHAD<SHARE BUY-BACK>	2,583,160	6.36
5 TAN LYE HUAT	1,739,272	4.25
6 KUMPULAN H & L HIGH-TECH BERHAD<SHARE BUY-BACK>	1,452,400	3.58
7 NG TIONG KANG	1,365,863	3.36
8 TAN KIM LAI	1,075,519	2.65
9 TAN YAW BIN	959,990	2.36
10 TAN ENG LOON	925,149	2.28
11 TAN SOOK YEE	688,828	1.70
12 TAN HO FOOT	569,702	1.40
13 TAN FUNG YING	450,000	1.11
14 TAN YAW TUNG	352,088	0.87
15 TAN YAW BIN	324,823	0.80
16 ABB NOMINEE (TEMPATAN) SDN BHD	307,500	0.76

<PLEGDED SECURITIES ACCOUNT FOR YAYASAN TERENGGANU (1115001178)>

# ANALYSIS OF SHAREHOLDINGS

## LIST OF THIRTY (30) LARGEST SHAREHOLDINGS AS AT 27 MARCH 2012

	NAME	No of Share Held	% of Issued Shared
17	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <PLEGDED SECURITIES ACCOUNT FOR LOW KIM SOI @ LOW TIEN SANG (REM 825)>	305,073	0.75
18	TAN AI LING	269,620	0.66
19	YAYASAN KELANTAN DARULNAIM	255,719	0.63
20	NG CHAI TEE	197,223	0.49
21	TAN ENG YIK	185,300	0.46
22	TAN YAW TUNG	184,705	0.45
23	KOAY LAY PENG	153,750	0.38
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD <PLEGDED SECURITIES ACCOUNT FOR SEOW HOON HIN (E-KLC)>	130,790	0.32
25	LIEW SWEE MIO @ LIEW HOI FOO	120,950	0.30
26	TAN SOOK YEE	115,928	0.29
27	CHEANG KAM HONG	108,457	0.27
28	JULIET YAP SWEE HWANG	102,500	0.25
29	MOHD RADZUAN BIN AB HALIM	100,015	0.25
30	PERBADANAN KEMAJUAN NEGERI KEDAH	93,804	0.23

## LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 27 MARCH 2012

	NAME	No of Share Held	% of Issued Shared
1	AFFLUENT FUTURE SDN BHD	11,480,001	28.27
2	TAN LYE HUAT HOLDINGS SDN BHD	5,396,245	13.29
3	TAN AH HENG	2,891,040	7.12
4	KUMPULAN H & L HIGH-TECH BERHAD	2,583,160	6.36

## INFORMATION OF DIRECTORS SHAREHOLDINGS AS AT 27 MARCH 2012

	NAME OF DIRECTORS	Direct Holdings		Indirect Holdings	
		No.	%	No.	%
1	TAN LYE HUAT	1,739,272	4.28	24,488,869	60.30
2	TAN KIM LAI	1,075,519	2.65	17,869,389	44.00
3	TAN HO FOOT	569,702	1.4	17,185,832	42.32
4	CHU KAN	-	0	-	0.00
5	HAU HOCK KHUN	-	0	-	0.00
6	TAN SOOK YEE	804,756	1.98	20,887,124	51.43
7	RITA TAI LAI LING	-	0	-	0.00

# LIST OF PROPERTIES AS 31 OCTOBER 2011

Location	Ownership	Date of Acquisition (A)/ Valuation (V)	Description/ Existing use	Land area/ built-up area (sq metres)	Tenure/ age of buildings ( years)	Net Book Value RM
Lot No Pt 1539 52, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor	H & L High-Tech Sdn Bhd	08/08/2007 (V)	2-storey Terrace Factory (Corner unit) / rented out	481.2 / 987.8	Freehold / 25	1,190,544
Lot No Pt 1540 50, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor	H & L High-Tech Properties Sdn Bhd	08/08/2007 (V)	2-storey Terrace Factory/rented out	185.8 / 371.6	Freehold / 25	508,854
Lot No Pt 1541 48, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor	H & L High-Tech Properties Sdn Bhd	08/08/2007 (V)	2-storey Terrace Factory/rented out	185.8 / 371.6	Freehold / 25	509,998
Lot No Pt 1542 46, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor	H & L High-Tech Deco Sdn Bhd	08/08/2007 (V)	2-storey Terrace Factory/rented out	185.8 / 371.6	Freehold / 25	503,546
Lot No Pt 1543 44, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor	H & L High-Tech Properties Sdn Bhd	08/08/2007 (V)	2-storey Terrace Factory/rented out	185.8 / 371.6	Freehold / 25	511,079
Lot No Pt 20033 6, Jalan TSB 1 Taman Industri Sungai Buloh 47000 Sungai Buloh Selangor	H & L High-Tech Sdn Bhd	31/10/2002 (V)	Prepaid lease payment	3715 / 5183	99 year leasehold (24/03/2091)	988,497
		08/08/2007(V)	Industrial building/ factory		Leasehold / 15	<u>3,567,959</u> <u>4,556,456</u>
Lot No Pt 19770 7, Jalan TSB 9 Taman Industri Sungai Buloh 47000 Sungai Buloh Selangor	Plastik STC Sdn Bhd	31/10/2002 (V)	Prepaid lease payment	3633 / 3189	99 year leasehold (24/03/2091)	973,926
		08/08/2007(V)	Factory, Warehouse and office space		Leasehold / 15	<u>2,287,500</u> <u>3,261,426</u>
341/1 Moo 2 Bangpa-In Industrial Estate Tambol Klongjig, Amphur Bangpa-In Ayutthaya 13160 Thailand.	H & L High-Tech Mould (Thailand) Co Ltd.	08/08/2007(V)	Factory & Office Building	965	Freehold / 9	508,836
D510 & 512 Tingkat 5, Block D Latan Biru, Seksyen 8 Kota Damansara Selangor.	H & L High-Tech Sdn Bhd	08/08/2007(V)	Apartment/Hostel	152.50	Leasehold / 8	233,325
D509 & 511 Tingkat 5, Block D Latan Biru, Seksyen 8 Kota Damansara Selangor.	Plastik STC Sdn Bhd	08/08/2007(V)	Apartment/Hostel	152.50	Leasehold / 8	233,325
Lot 14, Lorong Keluli 1C Kaw Perindustrian Bukit Raja Seksyen 8, Shah Alam Selangor	H & L High-Tech Properties Sdn Bhd	08/08/2007(V)	Warehouse cum office / rented out	16,489/13,383	Freehold / 17	11,047,783
Lot 45614 & 45615 Mukim of Hulu Kinta Taman Lapangan Ria Off Jln Pasir Puteh, Ipoh Perak	H & L High-Tech Properties Development Sdn Bhd	31/07/2005(A)	Land for residential development	76,473	Freehold	2,197,665

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of the Company will be held at Green II, Clubhouse, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor D.E. on Thursday, 30 April 2011 at 11.00 a.m. for the following purposes:-

## A G E N D A

1. To receive and adopt the audited financial statements for the year ended 31 October 2011 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To approve the payment of a Final Single-Tier Dividend of 2.0 sen per ordinary share of RM1.00 each fully paid up in respect of the financial year ended 31 October 2011. **(Resolution 2)**
3. To approve the payment of Directors' Fee for the financial year ended 31 October 2011. **(Resolution 3)**
4. To re-elect the following Directors retiring pursuant to Article 97 of the Company's Articles of Association:
  - (i) Mr. Tan Lye Huat **(Resolution 4)**
  - (ii) Mr. Tan Kim Lai **(Resolution 5)**
5. To re-appoint Messrs. SJ Grant Thornton as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
6. As Special Business, to consider and if thought fit, to pass the following resolutions as an Ordinary Resolution:
  - (i) Authority to issue shares pursuant to Section 132(D) of the Companies Act, 1965 **(Resolution 7)**

“THAT pursuant to Section 132D of the Companies Act 1965, and subject to the approval of the relevant governmental/regulatory authorities (if any shall be required), the Directors be and are hereby empowered to allot and issue shares in the Company, from time to time, at such price, upon such terms and conditions and for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being and THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and THAT such authority shall continue to be in force until conclusion of the next annual general meeting of the Company.”
  - (ii) Proposed renewal of authority to purchase its own shares by the Company. **(Resolution 8)**

“THAT, subject always to the Companies Act 1965 (“Act”), the provisions of the Memorandum and Articles of Association of the Company and the Listing Requirements (“Listing Requirements”) of the Bursa Malaysia Securities

## NOTICE OF ANNUAL GENERAL MEETING

Berhad and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the extent permitted by law, to buy-back and/or hold such amount of ordinary shares of RM1.00 each in the Company ("Shares") and to take all such steps as are necessary (including the opening and maintaining of a central depositories account under the Securities Industry (Central Depositories) Act, 1991) and enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time and to do all such acts and things in the best interests of the Company, subject further to the following:-

- (i) The aggregate number of Shares bought-back and/or held does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company subject to the restriction that the issued and paid-up capital of the Company does not fall below the applicable minimum share capital requirement of the Listing Requirement;
- (ii) The maximum amount to be allocated for the buy-back of the Company's own Shares shall not exceed the retained profits and the share premium account of the Company;
- (iii) As prescribed by the act, rules, regulations and orders made pursuant to the act and the requirements of Bursa Securities and any other relevant authority for the time being in force; and
- (iv) Upon completion of buy-back by the Company of its own Shares, the Directors of the Company are authorised to deal with the shares so bought-back in any of the following manners:-
  - (a) cancel the Shares so purchased; or
  - (b) retain the Shares so purchased as treasury shares and held by the Company; or
  - (c) retain part of the Shares so purchased as treasury shares and cancel the remainder,

and the treasury shares may be distributed as dividends to the Company's shareholders and /or resold on Securities Exchange and/or subsequently cancelled or any combination of the three and in any other manner.

The approval conferred by this resolution will commence immediately upon the passing of this resolution and will expire at the conclusion of the next annual general meeting of the Company at which time the authority shall lapse unless by ordinary resolution passed at a general meeting, the authority is renewed, either unconditionally or subject to conditions; or the expiration of the period within which the next annual general meeting after that date is required by law to be held; or the revocation or variation by ordinary resolution passed by the shareholders of the Company in a general meeting, whichever is the earliest;

- 7. To transact any other ordinary business of which due Notice shall have been received.

By Order Of The Board

NG BEE LIAN  
Company Secretary

Seremban  
6 April 2012



# NOTICE OF ANNUAL GENERAL MEETING

## NOTICE OF DIVIDENDS ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders of Seventeenth Annual General Meeting on 30 April 2012, a Final Single-Tier Dividend of 2.0 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 October 2011 will be payable on 28 May 2012 to shareholders whose names appear in the Record of Depositors on 16 May 2012.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) Shares transferred into the depositor's securities account before 4.00 p.m. on May 16 2012 in respect of ordinary transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

Notes:

1. A member of the Company who is entitled to attend and vote in the Meeting is entitled to appoint a proxy / proxies to attend and vote in his / her stead. A proxy may but need not be a member of the Company

The Form of Proxy must be deposited with the Company Secretary at the registered office of the Company at Chamber E, Lian Seng Court, 275 Jalan Haruan 1, Oakland Industrial Park, 70200 Seremban, N.S.D.K. not less than 48 hours before the time appointed for holding the Meeting.

2. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under the Seal or under the hand of an officer or attorney duly authorized.
3. Where a member appoints two or more proxies to attend at the same meeting, the appointment shall be invalid unless the holder specified the proportion of his shareholdings to be represented by each proxy.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.
5. Only members whose names appear in the Record of Depositors as at 24 April 2012 will be entitled to attend and vote at the meeting.

## Explanatory Notes

Ordinary Resolution No. 7

Authority to issue shares not exceeding ten (10) per centum of the issued capital of the Company.

The Company continues to consider opportunities to broaden its earnings potential. The renewal of this authority, if granted, 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 project(s), working capital and/or acquisition.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of share, it is thus considered appropriate that the Directors be empowered to issue shares in the Company, up to any amount not exceeding in total 10% of the issued share capital of the Company for the time being, for such purposes. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. No shares had been issued by the Company since obtaining the said renewed authority from its shareholders at the last Annual General Meeting held on 28 April 2011.

Ordinary Resolution No. 8

Proposed Renewal of Authority to purchase its own share

If passed, will provide the mandate for the Company to buy-back its own shares up to a limit of 10% of the issued and paid-up share capital of the Company. The details of the proposed renewal of authority for the proposed share buy-back are set out in the Statement to Shareholders dated 6 April 2012 which is despatched together with the Annual Report.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad

1. The names of individuals who are standing for election or re-election:-

Under Article 97 of the Articles of Association

Mr. Tan Lye Huat  
Mr. Tan Kim Lai

2. Board Meetings held in the financial year ended 31 October 2011

During the financial period, the following five (5) Board meetings were held:-

21 December 2010  
29 February 2011  
22 March 2011  
28 June 2011  
27 September 2011

and the details of attendance of the Directors at the Board Meetings held in the financial year ended 31 October 2011 is set out below:-

Name of Directors	Attendance
Tan Lye Huat	5/5
Chu Kan	5/5
Tan Sook Yee	5/5
Tan Kim Lai	5/5
Tan Ho Foot	4/5
Rita Tai Lai Ling	4/5
Hau Hock Khun	5/5

3. Annual General Meeting of Kumpulan H & L High-Tech Berhad

Place : Green II, Clubhouse,  
Tropicana Golf & Country Resort,  
Jalan Kelab Tropicana,  
47410 Petaling Jaya,  
Selangor D.E.

Date & Time : 30 April 2012 at 11.00 a.m.

4. Details of Directors who are standing for re-election

The shareholdings of the Directors standing for re-election in the Company are disclosed in the Directors' Report under Directors' Interest of this annual report and other details of Directors standing for re-election are disclosed in the Directors' Profile on page 3 & 4 in this annual report.

# KUMPULAN H & L HIGH-TECH BERHAD (317805-V)

(Incorporated in Malaysia)

## PROXY FORM

I/We ..... NRIC No.....

of .....

being a member(s) of Kumpulan H & L High-Tech Berhad, hereby appoint .....

..... of .....

or failing him/her ..... of .....

.....  
or failing him/her the Chairman of the Meeting as my/our proxy to attend and vote on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at Green II, Clubhouse, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor D. E. on Thursday, 30 April 2012 at 11.00 a.m. or at any adjournment thereof:

	RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the audited Financial Statements for the year ended 31 October 2011 and the Reports of the Directors and Auditors thereon.		
2.	To approve the payment of a Final Single-Tier Dividend of 2.0 sen per ordinary share of RM1.00 each fully paid up in respect of the financial year ended 31 October 2011.		
3.	To approve the payment of Directors' Fees for the financial year ended 31 October 2011.		
4.	To re-elect Mr. Tan Lye Huat as Director		
5.	To re-elect Mr. Tan Kim Lai as Director		
6.	To re-appoint Messrs. SJ Grant Thornton as Auditors and to authorize the Directors to fix their remuneration.		
7.	To authorize Directors to issue shares not exceeding 10% of the issued capital of the Company.		
8.	Proposed renewal of authority to purchase its own share		

(Please indicate with an "X" in the spaces provided above, how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.)

As witness my hand this ..... day of ..... 2012

Number of Ordinary Shares held	
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.....  
Signature

### NOTES

1. A member shall be entitled to be present and to vote on any question either personally or by proxy or as proxy for another member at any general meeting.
2. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
3. A member shall not appoint more than two (2) proxies to attend at the same meeting, where a member appoints two proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hands of the appointer or of his attorney duly authorized in writing or, if the appointer is a corporation under its common seal, or the hand of its attorney duly authorized. The instrument appointing a proxy together with the power of the attorney (if any) shall be left at the Registered office of the Company at Chamber E, Lian Seng Court, 275 Jalan Haruan 1, Oakland Industrial Park, 70200 Seremban, N.S.D.K. not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.

Stamp

The Secretary  
**KUMPULAN H & L HIGH-TECH BERHAD**  
( Company No. 317805-V)

**Registered Office**

Chamber E, Lian Seng Court, 275 Jalan Haruan 1  
Oakland Industrial Park  
70200 Seremban  
Negeri Sembilan