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11. FINANCIAL INFORMATION (Cont'd)

11.3.8 Material litigation

As at the LPD, after making due enquiry, our Directors are not aware of any material litigation, arbitration proceedings and contingent liabilities incurred by us or our subsidiaries, which upon becoming enforceable, may have a material effect on the financial position of our Group.

11.4 KEY FINANCIAL RATIOS OF OUR GROUP

The key financial ratios of our Group based on our proforma consolidated financial statements for the FYE 2008, FYE 2009 and our audited consolidated financial statements for the FYE 2010, FYE 2011 and the FPE 2012 are as follows:

	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FPE 2012
Trade receivables turnover period (months) ⁽¹⁾	1.66	2.12	2.39	2.48	2.18
Trade payables turnover period (months)(2)	1.21	1.34	1.78	1.80	1.09
Inventories turnover period (months) ⁽³⁾	0.49	0.78	1.63	1.85	3.43
Current ratio (times)	1.81	1.72	1.60	1.87	2.08
Gearing ratio (times) ⁽⁴⁾	0.61	0.61	0.41	0.72	0.64

Notes:

- (1) Calculated based on the consolidated trade receivables' balances as at their respective balance sheet date over total revenue. The trade receivables turnover period for the FPE 2012 were computed after interpolated into six (6) months.
- (2) Calculated based on the consolidated trade payables' balances as at their respective balance sheet date over total purchases. The trade payables turnover period for the FPE 2012 were computed after interpolated into six (6) months.
- (3) Calculated based on the consolidated inventories' balances as at their respective balance sheet date over total cost of sales. The inventories turnover period for the FPE 2012 were computed after interpolated into six (6) months.
- (4) Calculated based on total interest-bearing borrowings over shareholders' funds.

11.4.1 Trade receivables

We generally grant credit terms of between 30 to 120 days (or 1 to 4 months) to our customers.

The ageing analysis of our trade receivables as at 30 June 2012 is as follows:

The second respective to the second	10 to	Vithin cre	dit perio	d .	Exceed	ing credi	t period	
	0-30	31-60	61-90	91-120	91-120	121-150	>150	
	days	days	days	days	·	days	days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	3,058	2,377	919	100	25	57	100	6,636
% of trade receivables	46.08	35.82	13.85	1.51	0.37	0.86	1.51	100.00

Note:

Our credit terms are assessed and approved on a case by case basis after taking into consideration, *inter-alia*, the background and credit worthiness of the customer, payment history of the customer and our relationship with the customer. We have a credit control policy in order to improve the collection of our Group.

Based the credit terms of XFH of between 30 to 90 days.

The increase in the trade receivables turnover period from 1.66 months in FYE 2008 to 2.12 months in FYE 2009 was mainly due to the global financial crisis wherein some of our customers practiced a more precautionary approach on their cash flow management. As such, our customers requested for a longer credit period to make payments, thus, resulting in some delays in collection. In FYE 2010 and FYE 2011, the trade receivables turnover period increased slightly to 2.39 months and 2.48 months respectively, which is also mainly due to the continued cash flow management approach of our customers. In the FPE 2012, our trade receivables turnover period decreased slightly to 2.18 months, which is consistent with the trade receivables turnover period during the Period under Review.

As at 30 June 2012, 97.26% of our Group's trade receivables amounting to approximately RM6.45 million are within the credit terms given. The remaining balance of RM0.18 million or 2.74% of the trade receivables have exceeded credit terms given. Based on our management records of subsequent receipts up to the LPD, approximately RM6.05 million representing approximately 93.80% of the trade receivables within the credit period as at 30 June 2012 has been collected. In addition, approximately RM0.15 million representing approximately 83.33% of trade receivables exceeding credit period has been collected as at the LPD. Our Directors are of the opinion that the remaining trade receivables exceeding credit period of RM0.03 million are recoverable taking into consideration the long term relationship between these customers and us.

11.4.2 Trade payables

Our Group generally received credit terms of between 30 to 120 days (or 1 to 4 months) from our suppliers.

The ageing analysis of our trade payables as at 30 June 2012 is as follows:

		Within cre	edit period			ng credit	
	0-30 days RM'000	31-60 days	61-90	91-120 days	121-180 days	>180	Total
Trade payables	469	804	89	164	26	106	1,658
% of trade payables	28.29	48.49	5.37	9.89	1.57	6.39	100.00

Our policy is to always first match collection with payments and secondly, to review the cash flow position of our Group and also the credit terms given by our suppliers.

Our Group's trade payables turnover has been relatively consistent within the range of between 1.21 and 1.80 months for the 4 financial years up to FYE 2011. The trade payables turnover for the 6 month FPE 2012 is 1.10 months which is consistent with our Group's lower trade receivables turnover of 2.18 months as compared to FYE 2011. The increase in our trade payables turnover period for the 4 financial years up to FYE 2011 was in line with the increasing trend of its trade receivables turnover period which is in accordance with our cash flow management policy to match collection with payments without jeopardising our cash flow position and also credit terms granted by our suppliers.

As at 30 June 2012, 92.04% of our trade payables, amounting to RM1.53 million, were within the credit period given. Based on our management's records of subsequent payments up to the LPD, approximately RM1.52 million representing 99.35% of the trade payables within the credit period granted as at 30 June 2012 has been paid. In addition, approximately RM0.13 million representing approximately 98.48% of the trade payables exceeding the credit period has been paid as at LPD.

11.4.3 Inventory

Our Group's inventories turnover has been relatively consistent within the range of between 0.49 months and 0.78 months for 2 financial years up to FYE 2009. The increase in turnover period in FYE 2010 and FYE 2011 was mainly due to the increase in finished goods stock to meet customers' demand as well as the Company's efforts to stock more waste oil at lower prices as the prices of waste oil decreased as compared to the pre-global financial crisis when virgin oil was at its peak in year 2008. As at 30 June 2012, our Group's inventories turnover stood at 3.43 months due mainly to the Company's continued efforts to stock more waste oil in view of the anticipated rising global oil prices.

Our inventory is not subject to any risk of obsolescence as it consists mainly of our raw materials consisting of recycled base oil, recycled solvent, pigments, resin, fatty acids, lubricant additives and hydrocarbon polymers, and finished goods consisting of recycled oil products, recycled paints and solvents products and recycled drums and containers, all of which do not have a shelf life. Hence, fluctuations in our group's inventories turnover period has no impact on the usability and/or marketability of our inventory.

11.4.4 Current ratio

Our Group's current ratio has been relatively consistent and healthy within the range of between 1.60 and 2.08 times for the Period under Review. The reduction in our current ratio from 1.81 times as at 31 December 2008 to 1.60 times as at 31 December 2010 was primarily due to capital expenditures during the Period under Review while the increase from 1.60 times as at 31 December 2010 to 2.08 times as at 30 June 2012 was mainly due to the increase in inventory of raw materials in view of the increasing oil prices.

11.4.5 Gearing ratio

Gearing ratio has improved from the highest of 0.61 times in FYE 2008 and FYE 2009 to the lowest of 0.41 times in FYE 2010 mainly due to the improvement in the shareholders' fund of our Group although there was no major fluctuation on our Group's level of borrowings. Gearing ratio has then increased from 0.41 times in FYE 2010 to 0.72 times in FYE 2011 mainly due to the increase in bank borrowings due to our investment in new machinery via hire purchase. Gearing ratio then decreased slightly to 0.64 times in the FPE 2012 due to the repayment of hire purchase payables and bank borrowings of RM1.43 million and RM1.98 million respectively.

11.5 CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the Reporting Accountants' Letter on the Proforma Consolidated Financial Information and Accountants' Report set out in Sections 11.9 and 12 of this Prospectus respectively.

The table below sets out our proforma cash and bank balances, fixed deposits placed with licensed banks, capitalisation and indebtedness:

- (a) as at 30 June 2012 based on our audited consolidated statements of financial position; and
- (b) as adjusted for the net proceeds from the Public Issue and the utilisation of proceeds from the Public Issue.

	As at 30 June 2012 RM'000	After the Public Issue and utilisation of proceeds RM'000
Fixed deposits placed with licensed banks	431	431
Cash and bank balances	1,265	9,465
	1,696	9,896
Indebtedness		
Long term	0.454	0.040
Hire purchases	3,454	2,649
Term loans	11,986	10,791
	15,440	13,440
Short term		
Bank overdraft	522	522
Hire purchases	1,195	1,195
Term loans	1,020	1,020
	2,737	2,737
Total indebtedness	18,177	16,177
Capitalisation		
Total capitalisation (shareholders' equity)	28,602	43,302
Total capitalisation and indebtedness	46,779	59,479

11.6 TREND INFORMATION

As at the LPD, to the best of our Board's knowledge and belief after making due enquiry, our financial conditions and operations have not been and are not expected to be affected by any of the following:

- (a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this section and in Sections 5, 6 and 7 of this Prospectus;
- (b) material commitment for capital expenditure save as disclosed in Section 11.3.7 of this Prospectus;
- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as disclosed in this section and in Section 6.26 of this Prospectus;
- (d) known trends, demands, commitments, events or uncertainties that have resulted in a material impact on our Group revenue and/or profits, save for those that had been disclosed in this section and in Sections 5, 6 and 7 of this Prospectus; and
- (e) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources and which are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, other than those discussed in this section and in Sections 5, 6 and 7 of this Prospectus.

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11. FINANCIAL INFORMATION (Cont'd)

Information on our Group's business and financial prospects, significant trend in sales, production, costs and selling prices is set out in Sections 6 and 11 of this Prospectus. Discussion on the overview of the oil recycling industry, its prospects and outlook are further elaborated in Section 7 of this Prospectus.

Given the favourable outlook of the oil recycling industry as set out in Section 7 of this Prospectus, our future plans, competitive strengths and advantages as set out in Section 6.16 of this Prospectus, our Board is optimistic about the future prospects of our Group.

11.7 ORDER BOOK

Due to the nature of our business and as set out in Section 6 of this Prospectus, in general, we do not enter into long-term contracts with our customers. Our order book may change at any particular point in time as a result of additions, deferrals or rescheduling. In the past, there have been occasional instances of deferrals or rescheduling at the request of our customers. As such, our order book as at any particular date may not confirm our revenue for any succeeding period. We are also continually attracting new customers in our expansion of our business.

However, with our competitive advantages as set out in Section 6.16 of this Prospectus and our Group's commitment to the growth of our business, barring unforeseen circumstances, we are optimistic of the business and financial prospects of our Group for the foreseeable future.

11.8 DIVIDEND POLICY

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividend for the year is subject to our shareholders' approval.

It is our Board's policy to recommend dividends in the future to allow our shareholders to participate in the profits of our Group. However, our ability to declare dividends or make other distributions to our shareholders in the future years will depend upon various factors, including our Group's financial performance, cash flow requirements for operations, financing commitments and capital expenditure, availability of adequate distributable reserves and any other factors considered relevant by our Board.

Actual dividends proposed and declared may vary depending on the financial performance and cash flow of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group. There can be no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

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11.9 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

(Prepared for inclusion in this Prospectus)



2 2 OCT 2012

The Board of Directors Hiap Huat Holdings Berhad No. 46, Jalan E1/2 Taman Ehsan Industrial Park 52100 Kepong Selangor Darul Ehsan

Dear Sirs,

UHY (AF1411) Chartered Accountants Suite 11.05, Level 11 The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur

Phone +60 3 2279 3088 Fax +60 3 2279 3099 Email uhykl@uhy.com.my Web www.uhy.com.my

HIAP HUAT HOLDINGS BERHAD ("Hiap Huat" or "the Company") PROFORMA CONSOLIDATED FINANCIAL INFORMATION

We report on the proforma consolidated financial information of Hiap Huat and its subsidiary companies ("Hiap Huat Group" or "the Group") for the four financial years ended ("FYE") 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 and financial period ended ("FPE") 30 June 2012 together with the accompanying notes thereon, which we have stamped for the purpose of identification.

The proforma consolidated financial information of the Hiap Huat Group has been prepared for illustrative purposes only for inclusion in the Prospectus in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Hiap Huat on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), after making certain assumptions and such adjustments to show the effects on:

- (a) the financial results of Hiap Huat Group for the financial years/period review had the Hiap Huat Group structure as at the date of this Prospectus been in existence throughout the financial years/period under review;
- (b) the financial position of the Hiap Huat Group as at 30 June 2012 have been adjusted for the listing scheme as defined in the accompanying notes and utilisation of proceeds from the Public Issue; and
- (c) the cash flows of the Hiap Huat Group for the FPE 30 June 2012 had the Hiap Huat Group structure as of the date of the Prospectus been in existence since the beginning of the FPE 30 June 2012, adjusted for the effects of the Listing Scheme as defined in the accompanying notes and utilisation of proceeds from Public Issue.



HIAP HUAT HOLDINGS BERHAD PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

As the proforma consolidated financial information has been prepared for illustrative purposes only, such information, because of its nature, may not reflect the Hiap Huat Group's actual financial results, financial position and cash flows. Further, such information does not predict the Group's future financial results, financial position and cash flows.

It is the sole responsibility of the Directors of Hiap Huat to prepare the proforma consolidated financial information in accordance with the requirements of the Prospectus Guidelines issued by the Securities Commission ("Prospectus Guidelines").

It is our responsibility to form an opinion, as required by the Prospectus Guidelines, as to the proper compilation of the proforma consolidated financial information and to report our opinion to you.

In providing this opinion we are not responsible in updating or refreshing any report or opinion previously made by us on any financial information used in the compilation of the proforma consolidated financial information, nor do we accept responsibility for such report or opinion beyond that owed to those to whom the report or opinion were addressed by us at the date of issue.

Our work consisted primarily of comparing the proforma consolidated financial information with the audited financial statements of Hiap Huat Group for the FYE 31 December 2008 to 31 December 2011 and FPE 30 June 2012, considering the evidence supporting the adjustments and discussing the proforma consolidated financial information with the Directors/Officers of Hiap Huat. Our work involved no independent examination of any of the underlying financial information.

In our opinion:

- the proforma consolidated financial information of Hiap Huat Group as set out in the accompanying notes, which are provided for illustrative purposes only, has been prepared based on the audited consolidated financial statements of Hiap Huat Group for the FPE 30 June 2012 and audited financial statements of its subsidiary companies for the FYE 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 and in accordance with applicable approved Malaysian Financial Reporting Standards ("MFRSs") in Malaysia and is presented on a basis consistent with both the format and accounting policies normally adopted by Hiap Huat Group and after taking into account adjustments appropriate for the purposes of the proforma consolidated financial information as set out in the accompanying notes; and
- (b) that the adjustments made in the preparation of the proforma consolidated financial information are appropriate for the purposes of preparing the proforma consolidated financial information.



HIAP HUAT HOLDINGS BERHAD PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

This letter has been prepared for the purpose of inclusion in the Prospectus issued in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Hiap Huat on the ACE Market of Bursa Securities. As such, this letter should not be relied on for any other purposes.

Yours faithfully,

UHY

Firm Number: AF 1411 Chartered Accountants

TEE GUAN PIAN

Approved Number: 1886/05/14 (J/PH)

Chartered Accountant

KUALA LUMPUR

HIAP HUAT HOLDINGS BERHAD NOTES TO THE PROFOMA CONSOLIDATED FINANCIAL INFORMATION

1. Introduction

The profoma consolidated financial information, comprising the proforma consolidated statement of comprehensive income for the FYE 31 December 2008, 2009, 2010, 2011 and FPE 30 June 2012, proforma consolidated statement of financial position as at 30 June 2012 and the proforma consolidated statement of cash flows for the FPE 30 June 2012, have been prepared for inclusion in this Prospectus in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Hiap Huat on the ACE market of Bursa Securities.

2. Effects on the Proforma Consolidated Statements of Financial Position

Listing Scheme

In conjunction with and as an integral part of the Listing, the Company will undertake the following:

2.1 Public Issue

The 85,000,000 Public Issue Shares, representing 25.50% of the enlarged issued and paid-up share capital of Hiap Huat, at an issue price of RM0.20 per Public Issue Share ("IPO Price"). Payable in full on application, and will be allocated and allocated in the following manner:

2.1.1 Malaysian Public

5,000,000 Public Issue Shares, representing approximately 1.50% of the enlarged issued and paid-up share capital of Hiap Huat, will be offered to the general public, companies, societies, co-operatives and institutions by way of balloting; and

2.1.2 Selected investors via private placement

80,000,000 Public Issue Shares, representing approximately 24.00% of the enlarged issued and paid-up share capital of Hiap Huat, will made available for application by way of private placement to eligible selected investors.



HIAP HUAT HOLDINGS BERHAD NOTES TO THE PROFOMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

2. Effects on the Proforma Consolidated Statements of Financial Position (Cont'd)

Listing Scheme (Cont'd)

2.2 Offer for Sale

The Offer for sale of up to 50,000,000 of Hiap Huat Shares representing up to 15.00% of the enlarged issued and paid-up share capital of Hiap Huat, at an offer price of RM0.20 per Hiap Huat Share ("Offer Price") will be made available for application by way of private placement to selected investors.

2.3 Listing

Listing and quotation for the entire enlarged issued and paid-up share capital of Hiap Huat of RM33,330,133 comprising 333,301,330 ordinary shares of RM0.10 each on the ACE Market of Bursa Malaysia.



HIAP HUAT HOLDINGS BERHAD NOTES TO THE PROFOMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. Basis of preparation

3.1 The profoma consolidated financial information of Hiap Huat Group is prepared for illustrative purposes only and have been prepared using the bases and accounting policies consistent with those to be adopted by Hiap Huat Group, after giving effect to the adjustments considered appropriate.

The proforma consolidated financial information has been prepared for illustrative purposes based on the audited financial statements of Hiap Huat Group for the FYE 31 December 2008 and FYE 31 December 2009 (which have audited by Michael Ng & Associates) and FYE 31 December 2010, FYE 31 December 2011 and FPE 30 June 2012 (which have been audited by UHY). The audited financial statements used in the preparation of this report for the financial years/period under review were not subject to any qualification or modification.

The proforma consolidated financial information, because of its nature, may not reflect the Hiap Huat Group's actual financial results, financial position and cash flows. Further, such information does not predict the Group's future financial position, statement of comprehensive income and statement of cash flows.

- 3.2 The proforma consolidated financial information comprises the following:
 - 3.2.1 the proforma consolidated statement of comprehensive income for the FYE 31 December 2008 to 31 December 2011 and FPE 30 June 2012 on the assumption that the Hiap Huat Group structure as of the date of the Prospectus had been in existence throughout the financial years under review;
 - 3.2.2 the proforma consolidated statement of financial position as at 30 June 2012 have been adjusted for the listing scheme as defined in the accompanying notes and utilisation of proceeds from the Public Issue; and
 - 3.2.3 the proforma consolidated statement of cash flows for the FPE 30 June 2012 had the Hiap Huat Group structure as of the date of the Prospectus been in existence since the beginning of the FPE 30 June 2012, adjusted for the effects of the Listing Scheme as defined in the accompanying notes and utilisation of proceeds from Public Issue.
- 3.3 The proforma consolidated financial information has been prepared in accordance with MFRS in Malaysia consistent with those previously adopted in the preparation of the audited financial statements of Hiap Huat Group for the FYE 31 December 2008 to 31 December 2011 and FPE 30 June 2012, and after incorporating adjustments that are appropriate for the preparation of the proforma consoldiated financial information.



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FINANCIAL INFORMATION (Cont'd) Ę

NOTES TO THE PROFOMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D) HIAP HUAT HOLDINGS BERHAD

- Proforma Consolidated Statements of Comprehensive Income for the FYE 31 December 2008, 2009, 2010 and 2011 and FPE 30 June 2011 and 2012
- and FPE 30 June 2011 and 2012 are set out below, which have been prepared for illustration purposes assuming that the Hiap Huat Group The proforma consolidated statement of comprehensive income of Hiap Huat Group for the FYE 31 December 2008, 2009, 2010 and 2011 had been existence throughout the financial years/period under review. 4.1

	June >	2012 RM		18,285,313	(10,694,082)	7,591,231	63,825	(3,558,415)	(268,378)	3,828,263	(1,087,208)			2,741,055			2,741,055		JPU	RPOS	ESOM	
	< FPE 30 June	2011 * RM	TANK T	19,884,014	(11,367,832)	8,516,182	22,629	(3,904,833)	(140,058)	4,493,920	(1,154,302)			3,339,618			3,339,618	STELL AZ	SOUTH TOUR	C CHARTERED 30 0 18	(AFIATI)	1 4 ST
	^	2011 RM	1	40,838,784	(24,073,017)	16,765,767	325,602	(8,150,004)	(561,817)	8,379,548	(2,323,391)		,	6,056,157			6,056,157					
	ecemper	2010 RM	1,77	34,930,355	(18,302,959)	16,627,396	26,440	(9,054,352)	(425,936)	7,173,548	(1,988,928)		;	5,184,620			5,184,620					
	FYE 31 December-	2009 RM		34,060,257	(22,000,269)	12,059,988	226,683	(9,498,781)	(405,471)	2,382,419	(693,982)			1,688,437			1,688,437				187	20
•	>	2008 RM	1	49,237,281	(35,488,949)	13,748,332	112,204	(10,821,531)	(370,989)	2,668,016	(717,662)			1,950,354			1,950,354					
)				Revenue	Cost of sales	Gross profit	Other operating income	Administration expenses	Finance costs	Profit before taxation	Taxation	Net profit for the financial year/period,	representing comprehensive income	for the financial year/period	Total comprehensive income for the	financial year/period attributable to:	- Owners of the parent					

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11. FINANCIAL INFORMATION (Cont'd)

NOTES TO THE PROFOMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D) HIAP HUAT HOLDINGS BERHAD

Proforma Consolidated Statements of Comprehensive Income for the FYE 31 December 2008, 2009, 2010 and 2011 and FPE 30 June 2011 and 2012 (Cont'd) 4.

	<pre></pre> <pre>2008 RM</pre>		FYE 31 December 2009 2010 RM RM	2011 RM	<pre>< FPE 30 June 2011 * 2012 RM RM</pre>	June> 2012 RM
Earnings before interest, taxation and depreciation	4,041,471	3,779,714	8,917,588	10,752,389	5,428,763	5,107,679
rounder of ordinary shares of removirole each assumed to be issued	248,301,330	248,301,330	248,301,330	248,301,330	248,301,330	248,301,330
Gross profit margin (%)	27.92	35.41	47.60	41.05	42.83	41.52
Profit before tax margin (%)	5.42	66.9	20.54	20.52	22.60	20.94
Profit after tax margin (%)	3.96	4.96	14.84	14.83	16.80	14.99
Gross earnings per share (sen)	1.07	96.0	2.89	3.37	1.81	1.54
Net earnings per share (sen)	0.79	89.0	2.09	2.44	1.34	1.10
Diluted net earnings per share (sen)	0.59	0.51	1.56	1.82	1.00	0.82
Effective tax rate (%)	26.90	29.13	27.73	27.73	25.69	28.40



^{*} Unaudited and for comparison purpose only.



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HIAP HUAT HOLDINGS BERHAD NOTES TO THE PROFOMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

- 4. Proforma Consolidated Statements of Comprehensive Income for the FYE 31 December 2008, 2009, 2010 and 2011 and FPE 30 June 2011 and 2012 (Cont'd)
- 4.2 Notes to the proforma consolidated statement of comprehensive income are as follows:
 - 4.2.1 The number of shares in issue is based on the number of shares after the Bonus Issue and Share Split but before the Public Issue.
 - 4.1.1 The gross profit margin is computed by dividing the gross profit by the revenue earned in the respective financial years.
 - 4.1.2 The profit before tax margin is computed by dividing the profit before taxation by the revenue earned in the respective financial years.
 - 4.1.3 The profit after tax margin is computed by dividing the profit after taxation by the revenue earned in the respective financial years.
 - 4.1.4 The gross earnings per share is computed by dividing the profit before taxation by the number of ordinary shares assumed to be in issue of 248,301,330 Hiap Huat Shares.
 - 4.1.5 The net earnings per share is computed by dividing the profit after taxation by the number of ordinary shares assumed to be in issue of 248,301,330 Hiap Huat Shares.
 - 4.1.6 The diluted net earnings per share is computed by dividing profit after taxation by the enlarged number of ordinary shares after the Public Issue of 333,301,330 Hiap Huat Shares.
 - 4.1.7 The proforma consolidated results for all the financial years/period have been adjusted through appropriate consolidation adjustments to eliminate inter company transactions under the current group structure.



HIAP HUAT HOLDINGS BERHAD NOTES TO THE PROFOMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. Proforma Consolidated Statement of Financial Position as at 30 June 2012

The Proforma Consolidated Statement of Financial Position as at 30 June 2012 as set out below are provided for illustrative purposes only to show the effects on the consolidated statement of financial position of Hiap Huat Group had the Listing Scheme been completed on that date.

	Note	Hiap Huat Group as at 30 June 2012 RM	ProformaI Public Issue and Offer for Sale RM	II After Proforma I and Utilisation of Proceeds RM
Non-Current Asset				
Property, plant and equipment	5.2	36,576,734	36,576,734	41,076,734
Current Assets				
Inventories Trade receivables Other receivables Tax recoverable Fixed deposits with licensed banks Cash and bank balances Total Assets	5.3	6,111,553 6,636,206 1,943,977 344,326 430,676 1,264,950 16,731,688 53,308,422	6,111,553 6,636,206 1,943,977 344,326 430,676 18,264,950 33,731,688 70,308,422	6,111,553 6,636,206 1,943,977 344,326 430,676 9,464,950 24,931,688 66,008,422
Equity				
Share capital Share premium Merger deficit Retained profits Total Equity	5.4 5.4 5.5	24,830,133 (9,535,114) 13,306,946 28,601,965	33,330,133 8,500,000 (9,535,114) 13,306,946 45,601,965	33,330,133 7,880,000 (9,535,114) 11,626,946 43,301,965
Non-Current Liabilities				
Hire purchase payables Bank borrowings Deferred taxation UHY CHARTERED CHARTERED (AF1411) (AF14111) (AF1411) (AF14111) (AF141111) (AF141111) (AF141111) (AF1411111) (AF141111111) (AF1411111111111111111111111111111111111	5.6 5.7	3,453,917 11,985,650 1,205,145 16,644,712	3,453,917 11,985,650 1,205,145 16,644,712	2,649,141 10,790,426 1,205,145 14,644,712

HIAP HUAT HOLDINGS BERHAD NOTES TO THE PROFOMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. Proforma Consolidated Statement of Financial Position as at 30 June 2012 (Cont'd)

		<	Proforma	>
			I	II
		Hiap Huat		After
		Group	Public Issue	Proforma I
		as at	and Offer for	and Utilisation
		30 June 2012	Sale	of Proceeds
	Note	RM	RM	RM
Current Liabilities				
Trade payables		1,658,249	1,658,249	1,658,249
Other payables		1,158,046	1,158,046	1,158,046
Hire purchase payables	5.6	1,195,476	1,195,476	1,195,476
Bank borrowings	5.7	1,542,054	1,542,054	1,542,054
Tax payables		2,507,920	2,507,920	2,507,920
		8,061,745	8,061,745	8,061,745
Total Liabilities		24,706,457	24,706,457	22,706,457
Total Equity and Liabilities		53,308,422	70,308,422	66,008,422
Net assets		28,601,965	45,601,965	43,301,965
No. of ordinary shares		248,301,330	333,301,330	333,301,330
Net assets attributable to equity holders per ordinary share (RM)		0.12	0.14	0.13



Company No.: 881993-M

11. FINANCIAL INFORMATION (Cont'd)

HIAP HUAT HOLDINGS BERHAD NOTES TO THE PROFOMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

- 5. Proforma Consolidated Statement of Financial Position as at 30 June 2012 (Cont'd)
- 5.1 Proforma Adjustments to the Proforma Consolidated Statements of Financial Position

Proforma I

Proforma I incorporates the Public Issue and Offer for Sale at the IPO Price.

Upon completion of the Public Issue, the issued and paid-up share capital of the Company will increase from RM24,830,133 comprising 248,830,330 Hiap Huat Shares to RM33,330,133 comprising 333,301,330 Hiap Huat Shares.

Proforma II

Proforma II incorporates the effect of Proforma I and Utilisation of Proceeds from the Public Issue as follows:

	RM	%
Working capital	8,200,000	48
Capital expenditure	4,500,000	26
Repayment of hire purchase payables and		
bank borrowings	2,000,000	12
Estimated listing expenses	2,300,000	14
	17,000,000	100

The listing expenses are estimated at RM2,300,000, of which an amount RM620,000 in respect of share issuance expenses will be set off against the share premium account and the balance of RM1,680,000 will be charged to the statement of comprehensive income.



HIAP HUAT HOLDINGS BERHAD NOTES TO THE PROFOMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. Proforma Consolidated Statements of Financial Position as at 30 June 2012 (Cont'd)

5.2 Property, Plant and Equipment

	Q	Accumulated	Carrying
	Cost	Depreciation	Amount
	$\mathbf{R}\mathbf{M}$	RM	RM
Leasehold land and factory lots	13,718,492	1,206,725	12,511,767
Leasehold land	597,703	112,876	484,827
Furniture and fittings and office			
equipments	607,313	167,519	439,794
Motor vehicles	3,602,605	2,160,449	1,442,156
Renovation	737,670	557,745	179,925
Plant and machinery	12,359,023	2,900,294	9,458,729
Capital work in progress	12,059,536		12,059,536
As at 30 June 2012 / As per Proforma I	43,682,342	7,105,608	36,576,734
Utilisation of proceeds			
Plant and machinery	3,500,000	-	3,500,000
Building renovation	1,000,000	_	1,000,000
As per Proforma II	48,182,342	7,105,608	41,076,734

5.3 Cash and Bank Balances

The movements in the cash and bank balances are as follows:

As at 30 June 2012	1,264,950
Add: Arising from Public Issue	17,000,000
As per Proforma I	18,264,950
Less: Utilisation of Proceeds	(8,800,000)
As per Proforma II	9,464,950



RM

HIAP HUAT HOLDINGS BERHAD NOTES TO THE PROFOMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. Proforma Consolidated Statements of Financial Position as at 30 June 2012 (Cont'd)

5.4 Share Capital and Share Premium

The movements in the share capital and share premium are as follows:

	Share Capital RM	Share Premium RM
As at 30 June 2012	24,830,133	-
Add: Arising from Public Issue	8,500,000	8,500,000
As per Proforma I	33,330,133	8,500,000
Less: Utilisation of Proceeds	-	(620,000)
As per Proforma II	33,330,133	7,880,000

5.5 Retained Profits

As at 30 June 2012 / As per Proforma I	13,306,946
Less: Utilisation of Proceeds	(1,680,000)
As per Proforma II	11,626,946

5.6 Hire Purchase Payables

	Non-current liabilities RM	Current liabilities RM	Total RM
As at 30 June 2012 / As per Proforma I	3,453,917	1,195,476	4,649,393
Utilisation of proceeds	(804,776)	-	(804,776)
As per Proforma II	2,649,141	1,195,476	3,844,617



RM

HIAP HUAT HOLDINGS BERHAD NOTES TO THE PROFOMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. Proforma Consolidated Statements of Financial Position as at 30 June 2012 (Cont'd)

5.7 Bank Borrowings

	Non-current liabilities RM	Current liabilities RM	Total RM
Term loans	11,985,650	1,019,935	13,005,585
Bank overdrafts		522,119	522,119
As per 30 June 2012			
/ As per Proforma I	11,985,650	1,542,054	13,527,704
Utilisation of proceeds	(1,195,224)		(1,195,224)
As per Proforma II	10,790,426	1,542,054	12,332,480



HIAP HUAT HOLDINGS BERHAD NOTES TO THE PROFOMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

6. Proforma Consolidated Statement of Cash Flows for the FPE 30 June 2012

The Proforma Consolidated Statement of Cash Flows for the FPE 30 June 2012 as set out below are provided for illustrative purposes only and are based on the assumption that the Hiap Huat Group had been in existence since the beginning of the FPE 30 June 2012 adjusted for Public Issue and Utilisation of the Proceeds.

	RM
Cash Flows From Operating Activities	
Profit before taxation	3,828,263
Adjustments for:	
Depreciation of property, plant and equipment	1,011,038
Gain on disposal of property, plant and equipment	(39,268)
Interest expense	268,378
Interest income	(24,476)
Operating profit before working capital changes	5,043,935
Changes in working capital	
Inventories	(2,405,732)
Trade receivables	1,802,876
Other receivables	50,569
Trade payables	(1,141,914)
Other payables	(994,092)
	(2,688,293)
Cash generated from operations	2,355,642
Interest received	24,476
Interest paid	(268,378)
Tax paid	(201,547)
	(445,449)
Net cash from operating activities	1,910,193
Cosh Flows Even Investing Activities	
Cash Flows From Investing Activities Purchase of property plant and equipment	(6.550.770)
Purchase of property, plant and equipment	(6,550,770)
Proceeds from disposal of property, plant and equipment	36,609
Net cash used in investing activities	(6,511,161)



HIAP HUAT HOLDINGS BERHAD NOTES TO THE PROFOMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

6. Proforma Consolidated Cash Flow Statement for the FPE 30 June 2012 (Cont'd)

Cash Flows From Financing Activities	
Proceed from Public Issues	17,000,000
Payment for listing expenses	(2,300,000)
Repayment of hire purchase payables	(1,428,585)
Repayment of bank borrowings	(1,977,029)
Increase in deposit pledged with licensed banks	(12,202)
Net cash from financing activities	11,282,184
Net increase in cash and cash equivalents	6,681,216
Cash and cash equivalents at beginning of the financial period	2,261,615
Cash and cash equivalents at end of the financial period	8,942,831
Cash and cash equivalents at end of the financial period comprises:	
Cash and bank balances	9,464,950
Fixed deposits with licensed banks	430,676
Bank overdrafts	(522,119)
	9,373,507
Less: Fixed deposit pledged with licensed banks	(430,676)
	8,942,831



12. ACCOUNTANT'S REPORT

(Prepared for inclusion in this Prospectus)



2 2 OCT 2012

The Board of Directors Hiap Huat Holdings Berhad No. 46, Jalan E1/2 Taman Ehsan Industrial Park 52100 Kepong Selangor Darul Ehsan

INTRODUCTION

Dear Sirs,

1.

HIAP HUAT HOLDINGS BERHAD ("Hiap Huat" or "the Company") ACCOUNTANTS' REPORT

ACCOUNTANTS REPORT

This report has been prepared by UHY, Malaysia, an international accounting firm of chartered accountants registered in Malaysia and an approved company auditor, for inclusion in the Prospectus of Hiap Huat in connection with the listing of and quotation for the enlarged issued and paid-up shares of Hiap Huat on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). Details of the listing scheme are disclosed in Section 2 of this report.

2. **DETAILS OF THE PROPOSAL**

Listing Scheme

In conjunction with and as an integral part of the Listing, the Company will undertake the following:

2.1 Public Issue

Public issue of 85,000,000 new ordinary shares of RM0.10 each in Hiap Huat ("Public Issue Shares"), representing approximately 25.50% of the enlarged issued and paid-up share capital of Hiap Huat, at an issue price of RM0.20 per Public Issue Share ("IPO Price"). The Public Issue Shares are payable in full upon application, and will be allocated and allocated in the following manner:

2.1.1 Malaysian Public

5,000,000 Public Issue Shares, representing approximately 1.50% of the enlarged issued and paid-up share capital of Hiap Huat, will be offered to the general public, companies, societies, co-operatives and institutions by way of balloting; and

2.1.2 Selected investors via private placement

80,000,000 Public Issue Shares, representing approximately 24.00% of the enlarged issued and paid-up share capital of Hiap Huat, will made available by way of private placement to eligible identified investors.

UHY (AF1411) Chartered Accountants Suite 11.05, Level 11 The Gardens South Tower Mid Valley City Lingkaran Syed Putra

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59200 Kuala Lumpur



2. DETAILS OF THE PROPOSAL (CONT'D)

2.2 Offer for Sale

The Offer for Sale of up to 50,000,000 of Hiap Huat Shares representing up to 15.00% of the enlarged issued and paid-up share capital of Hiap Huat, at the Offer Price will be made available for application by way of private placement to selected investors.

2.3 Listing

Listing and quotation for the entire enlarged issued and paid-up share capital of Hiap Huat of RM33,330,133 comprising 333,301,330 ordinary shares of RM0.10 each on the ACE Market of Bursa Malaysia.

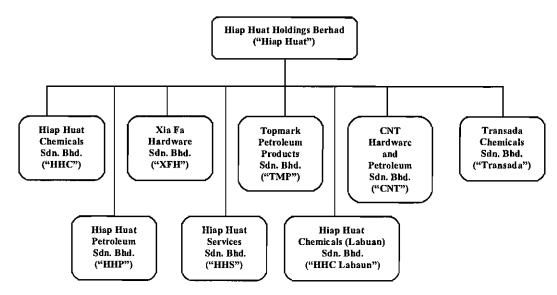
3. GENERAL INFORMATION

3.1 Background

Hiap Huat Holdings Sdn. Bhd. was incorporated and domiciled in Malaysia under the Companies Act, 1965 on 9 December 2009 as a private limited liability company. On 9 September 2011, the Company converted from a private limited liability company to a public liability company and changed its name from Hiap Huat Holdings Sdn. Bhd. to Hiap Huat Holdings Berhad. The principal activity of Hiap Huat is that of investment holding.

3.2 Group Structure

The group structure of Hiap Huat and its subsidiary companies (collectively "Hiap Huat Group" or "the Group") at the date of this report is as follows:





3. GENERAL INFORMATION (CONT'D)

3.3 Subsidiary Companies

The principal activities and other details of the subsidiaries are as follows:

Company	Date of Incorporation	Authorised share capital RM	Issued and paid-up share RM	Effective Equity interest %	Principal Activities
ННС	6 December 1994	10,000,000	3,649,912	100	Manufacturing, recycling and refining all kinds of industrial paints, oils and solvent chemical products
XFH	22 June 2002	500,000	240,004	100	Distributor of paint, hardware and related products
ТМР	26 April 2002	1,000,000	1,000,000	100	Manufacturing, recycling and refining all kinds of petroleum based products, industrial paints, oils, solvent chemicals products and other related products
CNT	15 February 2007	100,000	100,000	100	Dormant (Previously engaged in the trading of hydraulic oil, transformer oil and petroleum products)
Transada	16 July 1997	500,000	320,000	100	Manufacturing, recycling and refining all kinds of industrial paints, oils and solvent chemicals products
HHP	4 May 2000	100,000	85,100	100	Dormant (Previously engaged in the production of grace based products)
ннѕ	29 April 2008	100,000	100,000	100	Dormant (Intended to be involved in the provision of facilities maintenance services outsourced bu industrial customers)
HHC Labuan	15 July 2009	100,000	10,000	100	Dormant (Intended to be involved in the business of manufacturing, recycling and refining all kinds of petroleum based products, industrial paints, oils, solvent chemical products and other related products)



3. GENERAL INFORMATION (CONT'D)

3.4 Share Capital

As at the date of incorporation, the authorised share capital of Hiap Huat was RM100,000 comprising 100,000 ordinary shares of RM1.00 each. On 18 August 2010, the authorised share capital of Hiap Huat was increased from RM100,000 to RM25,000,000 by the creation of 24,900,000 new ordinary shares of RM1.00 each. On 9 September 2011, the authorised share capital of the Company was increased to RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each. On 12 September 2011, pursuant to the Share Split, the Company's authorised share capital of RM50,000,000 comprises 500,000,000 ordinary shares of RM0.10 each.

As at the date of this report, the issued and paid-up share capital of Hiap Huat is RM24,830,133 comprising 248,301,330 ordinary shares of RM0.10 each.

The movements in the issued and paid-up share capital of Hiap Huat since its incorporation are as follows:

					Cumula	tive Total
Date of Allotment/ Subdivision	Consideration	No. of Ordinary Shares	Par Value RM	Total Effects to the Issued and Paid- up Share Capital RM	No. of Ordinary Shares	Total Issued and Paid-up Share Capital RM
09.12.2009	Cash	3	1.00	3	3	3
18.08.2010	Acquisition of subsidiaries	14,830,130	1.00	14,830,130	14,830,133	14,830,133
09.09.2011	Bonus issue	10,000,000	1.00	10,000,000	24,830,133	24,830,133
12.09.2011	Share split	223,471,197	0.10	-	248,301,330	24,830,133

3.5 Dividend

No dividend was declared by the Company since the date of incorporation.

XFH, a subsidiary company of Hiap Huat was declared an interim single tier tax exempt dividend of 208.33% on 240,004 ordinary shares of RM1.00 each in respect of financial year ended 31 December 2010 was paid on 22 June 2010 amounting to RM500,000.

Subsequent to the financial year ended 31 December 2010, the Group has declared the following interim single tier dividends in respect for the financial year ending 31 December 2011:

Company	Shareholdings	Dividend rate	Total amount RM	Declared date	Date of payment
HHC	3,649,912	164.388	6,000,000	25.07.2011	08.12.2011
HHP	85,100	105.758	90,000	25.07.2011	30.11.2011
Transada	320,000	93.750	300,000	25.07.2011	30.11.2011
XFH	240,004	654.156	1,570,000	25.07.2011	30.11.2011
CNT	100,000	2,040.000	2,040,000	25.07.2011	30.11.2011
Total			10,000,000		



4. RELEVANT FINANCIAL PERIOD AND AUDITORS

Set out below are the relevant financial years/period of the audited financial statements presented for the purpose of this report ("Relevant Financial Period/Years") and the auditors (if applicable) of the respective companies within the Hiap Huat group for the Relevant Financial Period/Years.

Company	Relevant Financial Period/Years	Auditor	Auditor's Report
Hiap Huat	Financial Period from 1 January 2012 to 30 June 2012 ("FPE2012")	UHY	Appendix I
	Financial Year Ended ("FYE") 31 December 2011 ("FYE2011")	UHY	Appendix II
	Financial Period from 9 December 2009 (date of incorporation) to 31 December 2010 ("FPE2010")	UHY	Appendix III
ННС	FYE2011	UHY	Appendix IV
	Financial Year Ended ("FYE") 31 December 2010 ("FYE2010")	UHY	Appendix V
	FYE 31 December 2009 ("FYE2009")	Michael Ng & Associates	Appendix VI
	FYE 31 December 2008 ("FYE2008")	Michael Ng & Associates	Appendix VII
XFH	FYE2011	UHY	Appendix VIII
	FYE20I0	UHY	Appendix IX
	FYE2009	Michael Ng & Associates	Appendix X
	FYE2008	Michael Ng & Associates	Appendix XI
TMP	FYE2011	UHY	Appendix XII
	FYE2010	UHY	Appendix XIII
	FYE2009	Michael Ng & Associates	Appendix XIV
	FYE2008	Michael Ng & Associates	Appendix XV
CNT	FYE2011	UHY	Appendix XVI
	FYE2010	UHY	Appendix XVII
	FYE2009	Michael Ng & Associates	Appendix XVIII
	FYE2008	Michael Ng & Associates	Appendix XIX
Transada	FYE2011	UHY	Appendix XX
	FYE2010	UHY	Appendix XXI
	FYE2009	Michael Ng & Associates	Appendix XXII
	FYE2008	Michael Ng & Associates	Appendix XXIII
HHP	FYE2011	UHY	Appendix XXIV
	FYE2010	UHY	Appendix XXV
	FYE2009	Michael Ng & Associates	Appendix XXVI
	FYE2008	Michael Ng & Associates	Appendix XXVII
ннѕ	FYE2011	UHY	Appendix XXVIII
	FYE2010	UHY	Appendix XXIX
	FYE2009	Michael Ng & Associates	Appendix XXX
	Financial Period from 29 April	Michael Ng & Associates	Appendix XXXI
	2008 (date of incorporation) to 31 December 2008 ("FPE2008")		
	•		



4. RELEVANT FINANCIAL PERIOD AND AUDITORS (CONT'D)

Company	Relevant Financial Period/Years	Auditor	Auditor's Report
HHC Labuan	FYE2011 FYE2010 Financial Period from 15 July 2009 (date of incorporation) to 31 December 2009 ("FPE2009")	UHY UHY Michael Ng & Associates	Appendix XXXII Appendix XXXIII Appendix XXXIV

The audited financial statements above for the Relevant Financial Period/Years were reported without any audit qualification.



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost convention except as disclosed in the notes to the consolidated financial statements and in compliance with Malaysian Financial Reporting Standards ("MFRS Framework") and the Companies Act, 1965 in Malaysia.

These consolidated financial statements, for the financial period ended 30 June 2012, are the first financial statements of the Group has prepared in accordance with MFRS. Before 1 January 2012, the Group prepared its consolidated financial statements in accordance with Financial Reporting Standards ("FRS") in Malaysia.

Accordingly, the Group has applied MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards in preparing these financial statements which comply with MFRS for financial periods ended on 30 June 2012, together with the comparative information presented and the opening MFRS statements of financial position at 1 January 2011(the Group's date of transition to MFRS). This note explains the principal adjustments made by the Group in restating its FRS statements of financial position as at 1 January 2011 and its previously published FRS financial statements as at and for the financial year ended 31 December 2011. The transition to MFRS does not have significant financial impact to the financial statements of the Group.

The Group have not early adopted the following MFRSs, which have been issued as at the date of authorisation of this financial statements and will be effective for the financial periods as stated below:

		Effective date for financial periods beginning on or after
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 10	Consolidated Financial Statements	1 January 2013
Amendments to MFRS 11	Joint Arrangements	1 January 2013
Amendments to MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 3 Business Combination (IFRS 3 issued by International Accounting Standards Board ("IASB") in March 2004)^	Business Combination	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (revised)	1 January 2013
Amendments to MFRS 127	Separate Financial Statements	1 January 2013
MFRS 127 (IAS 27 revised by IASB in December 2003)^	Consolidated and Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 Basis of preparation (Cont'd)

		financial periods
		beginning on or after
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRSs	contained in the document entitled	1 January 2013
"Annual Improvements	2009 - 2011 Cycle	
Amendments to	Offsetting Financial Assets and Financial	1 January 2014
MFRS 132	Liabilities	
MFRS 9 (IFRS 9 as	Financial Instruments	1 January 2015*
issued by IASB in		
November 2009)		
MFRS 9 (IFRS 9 as issued by IASB in	Financial Instruments	1 January 2015*
October 2010)		

- * Original effective date of 1 January 2013 deferred to 1 January 2015 via amendments issued by MASB on 1 March 2012.
- ^ These standards are applicable if the entity elected to apply the transition guidance as allowed in MFRS 10 Consolidated Financial Statements paragraphs C4B and C4C respectively.

The above new MFRSs will be adopted in the annual financial statements of the Group when they become effective and that the initial applications of these Standards and IC Interpretations will have no significant impact on the financial statements of the Group, except as discussed below:

(i) MFRS 10 Consolidated Financial Statements

MFRS 10 will replace all the guidance on control and consolidation in MFRS 127 Consolidated and Separate Financial Statements and IC Interpretation 112 Consolidation - Special Purpose Entities.

MFRS 10 changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements.

(ii) MFRS 11 Joint Arrangements

MFRS 11 will supersede the existing MFRS 131 Interests in Joint Ventures when effective. Under MFRS 11, an entity accounts for its interest in a jointly controlled entity based on the type of joint arrangement, as determined based on an assessment of its rights and obligations arising from the arrangement.

(iii) MFRS 12 Disclosure of Interests in Other Entities

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

Definition data for



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 Basis of preparation (Cont'd)

(iv) MFRS 13 Fair Value Measurement

This standard defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. The definition of fair value under this standard emphasises the principle that fair value is a market-based measurement, not an entity specific measurement.

(v) MFRS 119 Employee Benefits (as amended in November 2011)

This revised MFRS 119 will supersede the existing MFRS 119 when effective. This new standard makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. Past service costs, whether unvested or already vested, are recognised immediately in the profit or loss as incurred and the annual defined benefit costs in the profit or loss will include net interest expense/ income on the defined benefit asset/liability.

(vi) MFRS 127 Separate Financial Statements (as amended in November 2011)

Upon the adoption of MFRS 10, the accounting requirements relating to the preparation of consolidated financial statements are no longer covered under MFRS 127. This revised MFRS 127 only cover the requirements relating to the accounting for investments in subsidiary companies, associated companies and joint ventures in the separate financial statements of the entity. In such cases, the entity should account for such investments either at cost, or in accordance with MFRS 9.

(vii) MFRS 128 Investments in Associates and Joint Ventures (as amended in November 2011)

This revised MFRS 128 incorporates the requirements for accounting for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11. However, the revised MFRS 128 exempts the investor from applying equity accounting in certain circumstances, ie. where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with FRS 9.

5.2 Basis of consolidation

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

An acquisition that resulted in a business combination involving common control entities is outside the scope of FRS 3 Business Combinations. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the audited financial statements.

In the consolidated financial statements of the merged enterprise, the cost of the merger should be cancelled against the nominal values of the shares/paid-up capital received. The difference between the cost of the merger and nominal values of the shares/paid-up capital received will remain and continue to be classified as part of equity of the Group and will be adjusted against suitable reserve in future, where appropriate. The combination date is the date on which one combining entity effectively obtains control of the other combining entities.



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 Basis of consolidation (Cont'd)

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The Group is regarded as continuing entity resulting from the reorganisation exercise since the management of all the entities, which took part in the reorganisation exercise were controlled by the same management and under the common controlling parties before and immediately after the reorganisation exercise. Consequently, there was a continuation of the control over the entities' financial and operating policy decision and risk and benefits to the ultimate controlling parties that existed prior to the reorganisation exercise. The reorganisation exercise has been accounted for as a restructuring under common control in a manner similar to pooling of interest or merger. Accordingly, the consolidated financial statements have been prepared on the basis of merger accounting and comprise the financial statements of the subsidiaries, which were under common control of the ultimate controlling parties and management that existed prior to the reorganisation exercise during the relevant period or since their respective dates of incorporation.

5.3 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Group's functional currency.

5.4 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 accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(i) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the property, plant and equipment as disclosed in Note 5.5 (iii) to the financial statements. These are common life expectancies applied in the industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Estimation of fair value of properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; or
- (b) recent prices of similar properties based on less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.



BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 Significant accounting estimates and judgements (Cont'd)

(iii) Impairment of financial assets

The Group assess at each reporting date whether there is any objective evidence that a financial assets is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of 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.

(iv) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 5.6 to the financial statements.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property eould be exchanged 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. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Capital work-in-progress is stated at cost. Cost comprises the direct expenditure incurred on the construction and commissioning of the capital assets, including the interest cost on borrowings taken to finance the capital work-in-progress. Capital work-in-progress is not depreciated until its completion and availability for commercial use.



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 Property, plant and equipment (Cont'd)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statements of comprehensive income as incurred.

(iii) Depreciation

Depreciation is recognised in the statements of comprehensive income on a straight-line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Furniture and fittings and office equipment	10 years
Motor vehieles	5 years
Renovation	10 years
Plant and machinery	10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at each financial year end.

Upon disposal of an asset, the difference between the net disposal proceeds and the carrying amount of the assets is charged or credited to the statements of comprehensive income. On disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred to distribution reserve.

5.6 Impairment of non-financial assets

The carrying amounts of assets except for inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income in the period in which it arises.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.6 Impairment of non-financial assets (Cont'd)

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in statement of comprehensive income, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

5.7 Inventories

Inventories are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damage, obsolete or slow-moving inventories.

Cost is determined on the weighted average method. Cost of finished goods comprises raw materials, direct labour and factory overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

5.8 Financial assets

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

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss (FVTPL), loans and receivables, available-for-sale (AFS) and held-to-maturity (HTM). The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVTPL

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets.

AFS Financial Assets

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.8 Financial assets (Cont'd)

(i) Classification (Cont'd)

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group have the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of HTM financial assets, the whole category would be tainted and reclassified as AFS.

HTM investment are classified as non-current assets, except for those having maturity date within 12 months after the end of the reporting period which are classified as current.

(ii) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at FVTPL, which are recognised at fair value. Transaction costs for financial assets at FVTPL are recognised immediately in the statements of comprehensive income.

Regular way purehases and sales of financial assets are recognised on a trade-date basis - the date on which the Group commits to purchase or sell the asset.

(iii) Subsequent measurement

Financial assets, both AFS and at FVTPL are subsequently carried at fair value. The fair value measurement considerations of the Group are as disclosed in Note 5.9.

Equity instrument which are classified as AFS that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

Changes in the fair values of financial assets at FVTPL including the effects of currency translation, interest and dividends, are recognised in the statements of comprehensive income when the changes arise.

Interest and dividend income on AFS financial assets are recognised separately in the statements of comprehensive income. Changes in fair values of AFS equity securities (i.e. non-monetary items) are recognised in the statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, which are recognised in the profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iv) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.8 Financial assets (Cont'd)

(iv) Impairment (Cont'd)

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptey, and default or significant delay in payments are objective evidence that these financial assets are impaired. 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 original effective interest rate. The asset's earrying amount is reduced and the amount of the loss is recognised in profit or loss.

If in a subsequent period, the amount of impairment loss decreases and the decrease ean be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, it is written off against the related accumulated impairment losses account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the statements of comprehensive income.

AFS Financial Assets

Significant or prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

The cumulative loss that was recognised in the other comprehensive income shall be reclassified to the profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in the profit or loss on equity securities are not reversed through the profit or loss.

HTM investments

Impairment in respect of HTM investment carried at amortised cost are measured as the difference between the asset's carrying amount and the present values of their estimated future cash flows discounted at the HTM investments' original effective interest rate.

The asset's earrying amount is reduced and the amount of the loss is recognised in profit or loss. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(v) Reclassification of financial assets

The Group may ehoose to reclassify non-derivative assets out from the held-for-trading category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Group may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or AFS categories if the Group have the intention and ability to hold the financial asset for the foreseeable future or until maturity.



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.8 Financial assets (Cont'd)

(v) Reclassification of financial assets (Cont'd)

If the Group were to sell or reclassify more than an insignificant amount of HTM investments before maturity, the entire category would be tainted and be reclassified to available-for-sale.

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable. Any fair value gains or losses previously recognised in the profit or loss is not reversed.

As at the end of the reporting period, the Group have not made any such reclassifications of financial assets.

(vi) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

5.9 Determination of fair value

All financial instruments are recognised initially at fair value. At initial recognition, the fair value of a financial instrument is the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments measured at fair value is measured in accordance with the valuation methodologies.

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at each reporting date.

5.10 Derivatives

Derivatives relate to fair value hedges on financial assets held through profit or loss. Derivatives are initially recognised at fair values on the date the contract is entered into and is subsequently carried at fair value.

The fair value hedges are not designated as effective hedging investments therefore changes in fair value are recognised immediately in the statement of comprehensive income.

5.11 Financial liabilities

Financial liabilities are recognised on the statements of financial position when, and only when the Group becomes a party to the contractual provisions of the financial instrument.

The Group classifies its financial liabilities in the following categories: at FVTPL or other financial liabilities. Management determines the classification of its financial liabilities at initial recognition.

All financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method, other than those categorised as FVTPL. Changes in the carrying value of these liabilities are recognised in the profit or loss.



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 Financial liabilities (Cont'd)

Financial liabilities at FVTPL include financial liabilities held for trading, derivative (except for financial guarantee contracts or a designated and effective hedging instrument) and financial liabilities designated into this category upon initial recognition.

Other financial liabilities are non-derivatives financial liabilities. The Group's other financial liabilities comprise trade and other payables and borrowings. Financial liabilities are classified as current liabilities; except for maturities more than 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

5.12 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statements of cash flow, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

5.13 Leases and hire purchases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are treated as operating leases.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the ininimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as liabilities. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment which are owned.

Lease rental under operating lease is charged to the income statement on a straight line basis over the term of the relevant lease.

5.14 Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the profit and loss.

Dividends on ordinary shares, when declared or proposed by the Directors of Hiap Huat are disclosed in the notes to the financial statements. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial period/year in which the dividends are paid.



BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.15 Provision for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

5.16 Foreign currency

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are recognised in profit or loss in the Group's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

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

5.17 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Goods sold and scrvices rendered

Revenue from sales of goods and services is recognised when significant risk and rewards have been transferred to the buyer, if any, or on performance of services, net of sales taxes and discounts.

(ii) Dividend income

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

(iii) Rental income

Rental income is recognised on a time apportion basis over the lease term unless ability to collect is in doubt.



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.17 Revenue recognition (Cont'd)

(iv) Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

5.18 Employee benefits

(i) Short term employee benefits

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the statements of financial position date.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

5.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the borrowings are made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawdown from that borrowings.

When the borrowings are made generally, and used for the purpose of obtaining a qualifying asset, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the financial year.

All other borrowing costs are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.20 Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the statements of financial position date.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an assets or liabilities in the statements of financial position and its tax base at the statements of financial position date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the statements of financial position date. The carrying amount of a deferred tax asset is reviewed at each statements of financial position date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

5.21 Segmental 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 segment make strategic decisions based on operating segments' results. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.



6. FINANCIAL INFORMATION AND LIMITATION

The financial information of Hiap Huat Group as presented in section 7 for the financial year/period ended 31 December 2010, 31 December 2011 and 30 June 2012 are extracted from their audited financial statements, modified as appropriate, for the purpose of this report.

The financial information of Hiap Huat's subsidiary companies, namely HHC, XFH, TMP, CNT, Transada, HHP, HHS and HHC Labuan for FYE/FPE 2008, 2009, 2010 and 2011 as presented in section 7 are extracted from their audited financial statements, modified appropriately, for the purpose of this report. The comparative figures of FYE/FPE 2008 and 2009 have been restated to reflect the current organisation structure.

The scope of work conducted in the preparation of this report does not constitute an audit in accordance with the approved standards of auditing in Malaysia. Except where otherwise explicitly stated, information contained in this report was not independently verified by us. In preparing this report, we have relied upon information and representations given to us by Directors, officers and employees of the respective companies and sought explanations for apparent discrepancies, if any.

UHY has not audited all the financial statements contained in this report. The information contained in this report has been compiled from the financial statements of Hiap Huat and its subsidiary companies which were reported on by their respective auditors without any qualification.

No audit has been performed for the financial statements of Hiap Huat Group subsequent to 30 June 2012.



7. HISTORICAL FINANCIAL STATEMENTS

7.1 Hiap Huat Group

7.1.1 Consolidated Statements of Comprehensive Income

The following consolidated statements of eomprehensive income are based on the audited group financial statements of Hiap Huat Group for the FPE2010, FYE2011 and FPE2012.

	Note	FPE2012 RM	FYE2011 RM	FPE2010 RM
Revenue	7.1.5.1	18,285,313	40,838,784	34,930,355
Cost of sales		(10,694,082)	(24,073,017)	(18,302,959)
Gross profit	,	7,591,231	16,765,767	16,627,396
Other operating income		63,825	325,602	26,440
Administration expenses		(3,558,415)	(8,150,004)	(9,054,352)
Finance costs	7.1.5.2	(268,378)	(561,817)	(425,936)
Profit before taxation	7.1.5.3	3,828,263	8,379,548	7,173,548
Taxation	7.1.5.4	(1,087,208)	(2,323,391)	(1,988,928)
Net profit for the financial period/year, representing total comprehensive income for the financial period/year		2,741,055	6,056,157	5,184,620



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.1 Hiap Huat Group (Cont'd)

7.1.2 Consolidated Statements of Financial Position

The following consolidated statements of financial position are based on the audited group financial statements of Hiap Huat Group as at 31 December 2010, 31 December 2011 and 30 June 2012.

		<	As at	>
		30 June	31 December	31 December
		2012	2011	2010
	Note	RM	RM	RM
Non-Current Asset				
Property, plant and equipment	7.1.5.5	36,576,734	34,587,941	22,675,257
Current Assets				
Inventories	7.1.5.6	6,111,553	3,705,821	2,487,523
Trade receivables	7.1.5.7	6,636,206	8,439,082	6,954,728
Other receivables	7.1.5.8	1,943,977	1,994,546	1,635,208
Tax recoverable	,,,,,,,	344,326	253,818	102,310
Fixed deposits with licensed				-0-,010
banks	7.1.5.9	430,676	418,474	407,215
Cash and bank balances		1,264,950	2,754,877	1,803,732
		16,731,688	17,566,618	13,390,716
Total Assets		53,308,422	52,154,559	36,065,973
Equity				
Share capital	7.1.5.10	24,830,133	24,830,133	14,830,133
Merger deficit	7.1.5.11	(9,535,114)	(9,535,114)	(9,535,114)
Retained profits		13,306,945	10,565,891	14,509,734
Total Equity		28,601,965	25,860,910	19,804,753
Non-Current Liabilities	5 1 5 10	2 452 015	4.02.6.551	004.060
Hire purehase payables	7.1.5.12	3,453,917	4,036,551	804,068
Bank borrowings	7.1.5.13	11,985,650	11,799,942	6,360,112
Deferred taxation	7.1.5.14	1,205,145	1,038,300	714,100
		16,644,712	16,874,793	7,878,280
Current Liabilities				
Trade payables	7.1.5.15	1,658,249	2,800,163	2,171,488
Other payables	7.1.5.16	1,158,046	2,152,138	3,421,314
Amount owing to Directors	7.1.5.17	1,150,040	2,132,136	812,142
Hire purchase payables	7.1.5.17	1,195,476	1,236,651	429,424
Bank borrowings	7.1.5.12	1,542,054	1,531,308	429,872
Tax payable		2,507,920	1,698,596	1,118,700
- £ ->		8,061,745	9,418,856	8,382,940
Total Liabilities		24,706,457	26,293,649	16,261,220
Total Equity and Liabilities		53,308,422	52,154,559	36,065,973
		, ,,,,,,,,,	, , , , , , , , , , , , , , , , , , , ,	



12.

HISTORICAL FINANCIAL STATEMENTS (CONT'D)

Hiap Huat Group (Cont'd)

7.1.3 Consolidated Statements of Changes in Equity

31 December 20	Total RM	3	14,830,130	290,000	5,184,620	(500,000)	19,804,753	19,804,753	1	6,056,157	25,860,910
Huat Group as at	Retained Profits RM	•	ı	9,825,114	5,184,620	(200,000)	14,509,734	14,509,734	(10,000,000)	6,056,157	10,565,891
ul statements of Hiap	Merger Deficit RM	•	ı	(9,535,114)	ı	i	(9,535,114)	(9,535,114)	F	1	(9,535,114)
audited group financii	Share Capital RM	6	14,830,130	•	,	ı	14,830,133	14,830,133	10,000,000	1	24,830,133
of changes in equity are based on the audited group financial statements of Hiap Huat Group as at 31 December 201	Note					7.1.5.18			7.1.5.10		
The following consolidated statements of changes in equal December 2011 and 30 June 2012.		At date of incorporation	Issued of shares during the financial period	Arising from merger with subsidiary companies	Net profit for the financial period, representing total comprehensive income for the financial period	Dividend paid to existing sharcholders	At 31 December 2010	At I January 2011	Bonus issue	Net profit for the financial year, representing total comprehensive income for the financial year	At 31 December 2011

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HISTORICAL FINANCIAL STATEMENTS (CONT'D)

Hiap Huat Group (Cont'd)

Total RM	25,860,910	2,741,055	28.601.965
Retained Profits RM	10,565,891	2,741,055	13 306 946
Merger Deficit RM	(9,535,114)	t	(9.535.114)
Share Capital RM	24,830,133	•	24.830.133

Net profit for the financial period, representing total comprehensive income for the financial period At 1 January 2012 At 30 June 2012

7.1.3 Consolidated Statements of Changes in Equity (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.1 Hiap Huat Group (Cont'd)

7.1.4 Consolidated Statements of Cash Flows

The following consolidated statements of eash flows are based on the audited group financial statements of Hiap Huat Group for the FPE2010, FYE2011 and FPE2012.

	Note	FPE2012 RM	FYE2011 RM	FPE2010 RM
Cash Flows From Operating				
Activities Profit before taxation		3,828,263	8,379,548	7,173,548
Tiont before taxation		3,828,203	6,373,346	7,173,540
Adjustments for:				
Depreciation of property, plant and equipment		1,011,038	1,811,024	1,318,104
(Gain)/Loss on disposal of		1,011,050	1,011,024	1,510,104
property, plant and equipment		(39,268)	(297,935)	19,007
Property, plant and equipment written off			116,704	1,770
Interest expenses		268,378	561,817	425,936
Interest income		(24,476)	(27,302)	(26,217)
Operating profit before working		5.042.025	10.510.056	0.010.110
capital changes		5,043,935	10,543,856	8,912,148
Decrease/(Increase) in working				
capital				
Inventories		(2,405,732)	(1,218,298)	(1,056,886)
Trade receivables Other receivables		1,802,876 50,569	(1,484,354) (359,208)	(945,600) (1,164,593)
Trade payables		(1,141,914)	628,675	205,205
Other payables		(994,092)	(1,269,176)	1,611,657
Amount owing by/to Directors			(812,142)	1,227,129
0.1		(2,688,293)	(4,514,503)	(123,088)
Cash generated from operations Interest received		2,355,642	6,029,353	8,789,060
Interest received Interest paid		24,476 (268,378)	27,302 (561,817)	26,217 (425,936)
Tax paid		(201,547)	(1,616,903)	(656,689)
Tax refund		_ ` -	46,100	_ ` -
		(445,449)	(2,105,318)	(1,056,408)
Net cash from operating activities		1,910,193	3,924,035	7,732,652
Cash Flows From Investing				
Activities				
Purchase of property, plant and	7.1.5.	(2.050.550)	(2.425.072)	(4.004.000)
equipment Proceeds from disposal of	5 (g)	(2,050,770)	(3,436,973)	(4,824,099)
property, plant and equipment		39,609	1,456,500	15,000
Net cash used in investing				
activities		(2,011,161)	(I,980,473)_	(4,809,099)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.1 Hiap Huat Group (Cont'd)

7.1.4 Consolidated Statements of Cash Flows (Cont'd)

	FPE2012 RM	FYE2011 RM	FPE2010 RM
Cash Flows From Financing Activities			
Repayment of bank borrowings Repayment of hire purchase	(781,805)	(530,053)	(736,486)
payables	(623,809)	(944,367)	(348,121)
Increase in fixed deposits pledged	(12,202)	(11,259)	(10,349)
Dividend paid to existing shareholders			(500,000)
Net cash (used in)/from financing activities	(1,417,816)	(1,485,679)	(1,594,956)
Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at beginning of the financial	(1,518,784)	457,883	1,328,597
period/year/date of incorporation	2,261,615	1,803,732	475,135
Cash and cash equivalents at end of the financial period/year	742,831	2,261,615	1,803,732
Cash and cash equivalents at end of the financial period/year comprises:			
Cash and bank balances	1,264,950	2,754,877	1,803,732
Bank overdrafts Fixed deposits with licensed	(522,119)	(493,262)	-
banks	430,676	418,474	407,215
Less: Fixed deposits pledged to	1,173,507	2,680,089	2,210,947
licensed banks	(430,676)	(418,474)	(407,215)
	742,831	2,261,615	1,803,732



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.1 Hiap Huat Group (Cont'd)

7.1.5 Notes to the Financial Statements

1. Revenue

This represents the invoiced value of services and goods sold less returns and discounts, if any.

2. Finance Costs

	FPE2012	FYE2011	FPE2010
	RM	RM	RM
Interest expenses on:			
Hire purchase	155,834	205,944	72,063
Term loan	247,560	423,032	353,873
Bank overdraft	33,093	34,203	-
Banker acceptance/Letter of credit		21,183	-
	436,487	684,362	425,936
Less: Term loan interest capitalised leasehold land and capital in			
progress	(168,109)	(122,545)	
	268,378	561,817	425,936

3. Profit before Taxation

(a) Profit before taxation is derived after charging/(crediting):

	FPE2012 RM	FYE2011 RM	FPE2010 RM
Auditors' remuneration			
- current year	_	68,000	61,000
- over provision in prior year	-	-	(5,400)
Depreciation of property, plant			
and equipment	1,011,038	1,811,024	1,318,104
Directors' remuneration			
- Salaries and other emolument	743,794	1,330,800	1,036,458
Property, plant and equipment			
written off	-	116,704	1,770
Rental of hostel	18,120	39,350	35,490
Rental of factory	19,885	52,800	79,550
Rental of machinery	5,763	21,180	20,148
Realised loss on foreign			
exchange	2,236	1,008	1,648
(Gain)/Loss on disposal of			
property, plant and equipment	(39,268)	(297,935)	19,007
Interest income			
 fixed deposits 	(12,202)	(11,258)	(10,349)
 overnight deposits 	(12,274)	(16,044)	(15,868)
Rental income on machinery	(21)	(365)	(223)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)
 - 3. Profit before Taxation (Cont'd)
 - (b) Staff Costs

	FPE2012	FYE2011	FPE2010
	RM	RM	RM
Staff costs (excluding Directors)	1,876,165	3,628,341	3,809,300

Included in the staff costs above are contribution made to the Employee Provident Fund under a defined contribution plan amounting to RM134,082 (FYE2011: RM273,442; FPE2010: RM308,071).

(c) Key Management Personnel Compensation

The remuneration of key management personnel is same with the Directors' remuneration as disclosed in above. The Group have no other members of key management personnel apart from the Board of Directors.

4. Taxation

	FPE2012 RM	FYE2011 RM	FPE2010 RM
Tax expenses for the financial period/year:			
Current tax provision	1,051,992	1,868,400	1,752,100
(Over)/Under provision in prior			
period/years	(131,629)_	130,791	66,028
	920,363	1,999,191	1,818,128
Deferred tax: Relating to origination and reversal of temporary differences (Over)/Under provision in prior period/years	169,040 (2,195) 166,845 1,087,208	259,800 64,400 324,200 2,323,391	206,200 (35,400) 170,800 1,988,928



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)

4. Taxation (Cont'd)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group are as follows:

	FPE2012 RM	FYE2011 RM	FPE2010 RM
Profit before taxation	3,828,263	8,379,548	7,173,548
Taxation at statutory tax rate of 25% Expenses not deductible for tax	957,066	2,094,887	1,793,387
purposes	299,670	365,239	147,923
Income not subject to tax	· -	-	(2,683)
Reinvestment allowance	(48,938)	(351,028)	-
Deferred tax not recognised	13,234	19,102	19,673
(Over)/Under provision of taxation in		•	·
prior years	(131,629)	130,791	66,028
(Over)/Under provision of deferred tax	•	•	•
in prior years	(2,109)	64,400	(35,400)
Tax expense for the financial			
period/year	1,087,208	2,323,391	1,988,928



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HISTORICAL FINANCIAL STATEMENTS (CONT'D)

Hiap Huat Group (Cont'd)

7.1

7.1.5 Notes to the Financial Statements (Cont'd)

5. Property, Plant and Equipment

rk s Total RM		4	3,000,172	- (95,909)	6 43,682,342		- 6,190,138	- 1,011,038	- (95,568)	- 7,105,608	6 36,576,734
Capital work in progress RM		9,433,318	2,626,218		12,059,536						12,059,536
Plant and machinery RM		12,028,860	330,163	•	12,359,023		2,298,410	601,884	1	2,900,294	9,458,729
Renovation RM		737,670	•	•	737,670		532,852	24,893	1	557,745	179,925
Motor vehicles RM		3,695,615	•	(93,010)	3,602,605		2,010,791	242,667	(63,009)	2,160,449	1,442,156
Furniture and fittings and office equipments RM		566,421	43,791	(2,899)	607,313		142,522	27,556	(2,559)	167,519	439,794
Leasehold land RM		597,703	•	•	597,703		106,899	5,977	•	112,876	484,827
Leasehold land and factory lots RM	;	13,718,492	•	,	13,718,492		1,098,664	108,061	•	1,206,725	12,511,767
	FPE2012 Cost	At 1 January 2012	Additions	Disposals	At 30 June 2012	Accumulated	At 1 January 2012	Charge for the mancial period	Disposals	At 30 June 2012	Carrying amount At 30 June 2012



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HISTORICAL FINANCIAL STATEMENTS (CONT'D)

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Hiap Huat Group (Cont'd) 7.1

7.1.5 Notes to the Financial Statements (Cont'd)

5. Property, Plant and Equipment (Cont'd)

	Leasehold land and factory lots RM	Leasehold Iand RM	and fittings and office equipments RM	Motor vehicles RM	Renovation RM	Plant and machinery RM	Capital work in progress RM	Total RM
FYE2011 Cost				i j				
At 1 January 2011	10,964,131	597,703	679,642	3,424,546	812,492	5,983,295	5,418,294	27.880,103
Additions	536,684	,	201,179	821,978	,	6,524,627	6,914,639	14,999,107
Disposals	(681,808)	,	(7,888)	(550,909)	•	(394,340)		(1,634,945)
Written off	•	•	(212,012)	` I	(74.822)	(179,222)	•	(466,056)
Reclassification	•	•	(94,500)	1	` '	94,500	•	
Transfer to leasehold land			() ()			2		
and factory lots	2,899,615	•	,	'	٠	,	(2,899,615)	•
Transfer of prepayments	(130)	•	,	•	•	•	•	(130)
At 31 December 2011	13,718,492	597,703	566,421	3,695,615	737,670	12,028,860	9,433,318	40,778,079
Accumulated								
depreciation								
At 1 January 2011	948,571	94,945	341,294	1,827,265	529,686	1,463,085	,	5,204,846
Charge for the financial								
year	212,592	11,954	53,589	552,357	53,528	927,004	•	1,811,024
Disposals	(62,499)	1	(4,141)	(368,831)	•	(40,909)	•	(476,380)
Written off	•	•	(178,496)	1	(50,362)	(120,494)	1	(349,352)
Reclassification	•	•	(69,724)	1	` •	69,724	•	` .
At 31 December 2011	1,098,664	106,899	142,522	2,010,791	532,852	2,298,410	,	6,190,138
Carrying amount								
At 31 December 2011	12.619.828	490.804	423,899	1,684,824	204.818	9 730 450	0 433 318	34 587 941



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7.1 Hiap Huat Group (Cont'd)7.1.5 Notes to the Financial Statements (Cont'd)

HISTORICAL FINANCIAL STATEMENTS (CONT'D)

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	Leasehold land and factory lots RM	Leasehold land RM	Furniture and fittings and office equipments RM	Motor vehicles RM	Renovation RM	Plant and machinery RM	Capital work in progress RM	Total RM
FPE2010 Cost								
At date of incorporation	10,874,292	597,703	586,407	2,543,492	812,492	4,017,739	3,057,968	22,490,093
Additions	89,839	•	130,576	970,254	ı	2,154,004	2,360,326	5,704,999
Disposals	,	•	•	(69,200)	1	•	•	(69,200)
Written off	•	•	(37,341)	(20,000)	•	(188,448)	•	(245,789)
At 31 December 2010	10,964,131	597,703	679,642	3,424,546	812,492	5,983,295	5,418,294	27,880,103
Accumulated depreciation								
At date of incorporation Charge for the	731,341	82,991	332,055	1,395,150	460,622	1,163,795	ı	4,165,954
financial period	217,230	11,954	45,805	487,307	69,064	486,744	•	1,318,104
Disposals	•	•	•	(35,193)	•	•	,	(35,193)
Written off	,	•	(36,566)	(19,999)	•	(187,454)		(244,019)
At 31 December 2010	948,571	94,945	341,294	1,827,265	529,686	1,463,085	•	5,204,846
Carrying amount At 31 December 2010	10,015,560	502,758	338,348	1,597,281	282,806	4,520,210	5,418,294	22,675,257



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)
 - 5. Property, Plant and Equipment (Cont'd)
 - (a) The carrying amount of property, plant and equipment acquired under hire purchase are as follow:

	<	As at	>
	30 June	31 December	31 December
	2012	2011	2010
	RM	RM	RM
Motor vehicles	1,163,442	1,403,137	1,157,389
Plant and machinery	5,393,095	5,695,347	538,244
	6,556,537	7,098,484	1,695,633

(b) The carrying amount of property, plant and equipment of the Group have been pledged to licensed banks for credit facilities granted the Group as disclosed in Note 7.1.5.13 to the financial statements.

	<	As at	>
	30 June	31 December	31 December
	2012	2011	2010
	RM	RM	RM
Leasehold land and factory lots	12,205,767	12,310,228	12,508,536
Capital work in progress	11,285,496	9,433,318	2,518,679
	23,491,263	21,743,546	15,027,215

- (c) The remaining period of the leasehold land and factory lots ranges from 41 to 84 (FYE2011: 42 to 85; FPE2010: 43 to 86) years.
- (d) The remaining period of the leasehold land is 83 (FYE2011: 84; FPE2010: 85) years.
- (e) Motor vehicles with carrying amount of Nil (FYE2011: Nil; FPE2010: RM66,390) is held in trust under the name of a Director of the Group. Subsequent to FYE2011, the said motor vehicles amounted to RM31,176 and RM11,175 was registered under the Group and disposed to third party respectively.
- (f) A motor vehicle with carrying amount of Nil (FYE2011: Nil; FPE2010: RM66,433) is held in trust under the name of third party. Subsequent to FYE2011, the said motor vehicle was registered under the Group.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)

5. Property, Plant and Equipment (Cont'd)

(g) The aggregate additional cost for the property, plant and equipment of the Group under hire purchase financing, term loans and cash payment are as follows:

FPE2012 RM	FYE2011 RM	FPE2010 RM
3,000,172	14,999,107	5,704,999
-	(4,984,077)	(880,900)
(949,402)	(6,578,057)	-
2,050,770	3,436,973	4,824,099
	RM 3,000,172 (949,402)	RM RM 3,000,172 14,999,107 - (4,984,077) (949,402) (6,578,057)

(h) The finance costs capitalised to capital work in progress amounting to RM168,109 (FYE2011: RM122,545; FPE2010: Nil).

6. Inventories

	<	As at	>
	30 June	31 December	31 December
•	2012	2011	2010
	RM	RM	RM
At cost:			
Raw material	2,970,688	1,823,647	726,125
Packing materials	315,478	304,298	216,797
Finished goods	2,825,387	1,577,876	1,544,601
	6,111,553	3,705,821	2,487,523

7. Trade Receivables

The Group's normal trade credit terms range from 30 to 120 (FYE2011/FPE2010: 30 to 120) days. Other credit terms are assessed and approved on a case by case basis.

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

The Group's credit exposures are concentrated mainly on one (1) (FYE2011/FPE2010: one (1)) trade receivables, which accounted for 28% (FYE2011: 24%; FPE2010: 15%) of total trade receivables.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.1 Hiap Huat Group (Cont'd)

7.1.5 Notes to the Financial Statements (Cont'd)

7. Trade Receivables (Cont'd)

Analysis of the trade receivables ageing are as follows:

	<	As at	>
	30 June	31 December	31 December
	2012	2011	2010
	RM	RM	RM
Neither past due nor impair	3,058,279	7,655,037	6,521,950
Past due less than 30 days not impaired	2,377,011	420,831	224,549
Past due for more than 30 days not			
impaired	1,200,916	363,214	208,229
	6,636,206	8,439,082	6,954,728
•			

The Group has not recognised any impairment loss on certain receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered receivable.

8. Other Receivables

	<	As at	>
	30 June	31 December	31 December
	2012	2011	2010
	RM	RM	RM
Other receivables	454,433	526,086	139,693
Deposits	311,040	739,663	127,570
Prepayments	273,776	171,505	1,367,945
Deferred expenditure	904,728	557,292	-
_	1,943,977	1,994,546	1,635,208

The Group has not recognised any impairment loss on certain receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered receivable.

9. Fixed Deposits with Licensed Banks

The fixed deposits are pledged to licensed banks as securities for credit facilities granted to the Group as disclosed in Note 7.1.5.13 to the financial statements.

The interest rate of deposits during the financial period range from 2.00% to 3.20% (FYE2011: 2.85% to 3.20%; FPE2010: 2.00% to 3.20%) per annum and the maturities of deposits are 30 to 365 (FYE2011/FPE2010: 30 to 365) days.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.1 Hiap Huat Group (Cont'd)

7.1.5 Notes to the Financial Statements (Cont'd)

10. Share Capital

	<	As at	>
	30 June	31 December	31 December
	2012	2011	2010
	RM	RM	RM
Ordinary shares of RM0.10			
(31.12.2011: RM0.10 ; 31.12.2010:			
RM1.00) each:			
Authorised			
At 1 January/Date of incorporation	50,000,000	25,000,000	100,000
Created during the financial			
period/year	-	25,000,000	24,900,000
At 30 June/31 December	50,000,000	50,000,000	25,000,000
Issued and fully paid up			
At 1 January/Date of incorporation	24,830,133	14,830,133	3
Bonus issued	-	10,000,000	-
Issued during the financial period	-	-	14,830,130
At 30 June/31 December	24,830,133	24,830,133	14,830,133

During the FYE2011, the authorised share capital of the Company was increased from RM25,000,000 to RM50,000,000 by the creation of 25,000,000 new ordinary shares of RM1.00 each.

In addition, the issued and paid-up capital of the Company was increased from RM14,830,133 to RM24,830,133 by the issue of 10,000,000 ordinary shares of RM1.00 each pursuant to bonus issue on the basis of one new ordinary share for every 1.4830133 existing ordinary shares held by way of capitalisation of RM10,000,000 from retained profits.

On 12 September 2011, the Company undertook a share split involving the subdividing of every one (1) existing ordinary shares of RM1.00 each in the Company into ten (10) shares of RM0.10 each.

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

11. Merger Deficit

The merger deficit arises from the difference between the nominal value of shares issued by the Hiap Huat and the nominal value of shares of subsidiary companies acquired under the pooling of interests method of accounting.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)

12. Hire Purchase Payables

	<	As at	>
	30 June	31 December	31 December
	2012	2011	2010
	RM	RM	RM
(a) Minimum hire purchase			
payments			
Within one year	1,443,407	1,526,441	437,876
Between one and five years	3,759,233	4,455,791	898,889
After five years	_	_	24,977
	5,202,640	5,982,232	1,361,742
Less: Future finance charges	(553,247)	(709,030)	(128,250)
Present value of hire purchase			
liabilities	4,649,393	5,273,202	1,233,492
(b) Present value of hire purchase			
liabilities			
Within one year	1,195,476	1,236,651	429,424
Between one and five years	3,453,917	4,036,551	780,900
After five years	-	-	23,168
,	4,649,393	5,273,202	1,233,492
41			
Analyse as:	1.105.456		
Repayable within twelve months	1,195,476	1,236,651	429,424
Repayable after twelve months	3,453,917	4,036,551	804,068
	4,649,393	5,273,202	1,233,492

The hire purchase liabilities interest is charged at rates ranging from 2.20% to 3.45% (FYE2011: 2.20% to 3.45%; FPE2010: 2.00% to 4.25%) per annum.

13. Bank Borrowings

	<	As at	>
	30 June	31 December	31 December
	2012	2011	2010
	RM	RM	RM
Secured			
Fixed rate			
Term loans	242,518	628,849	726,231
Floating rate			
Term loans	12,763,067	12,209,139	6,063,753
Bank overdraft	522,119	493,262	-
	13,527,704	13,331,250	6,789,984
Analyse as:			
Repayable within twelve months	1,542,054	1,531,308	429,872
Repayable after twelve months	11,985,650	11,799,942	6,360,112
	13,527,704	13,331,250	6,789,984



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)
 - 13. Bank Borrowings (Cont'd)

The above credit facilities obtained from licensed banks are secured by the following:

- (a) facility agreement;
- (b) guarantee coverage from the Credit Guarantee Corporation (M) Berhad;
- (c) fixed charge over leasehold land and factory lots and capital in progress of the Group as disclosed in Note 7.1.5.5(b) to the financial statements;
- (d) pledged of fixed deposits as disclosed in Note 7.1.5.9 to the financial statements; and
- (e) jointly and severally guaranteed by certain Directors of the Hiap Huat.

The term loans are repayable by monthly instalment over 10 to 15 years.

Maturity of bank borrowings is as follows:

	<	As at	>
	30 June	31 December	31 December
	2012	2011	2010
	RM	RM	RM
Within one year	1,542,054	1,531,308	429,872
Between one and two years	1,002,892	1,093,876	545,212
Between two and five years	3,022,543	3,367,113	1,395,309
After five years	7,960,215	7,338,953	4,419,591
	13,527,704	13,331,250	6,789,984

Ranges of interest rates of bank borrowings are as follows:

	<	As at	>
	30 June	31 December	31 December
	2012	2011	2010
	%	%	%
Term loans	3.75 - 6.80	3.75 - 6.80	3.75 - 7.75
Bank overdraft	5.00 - 7.85	5.00 - 7.85	5.00 - 7.80



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)

14. Deferred Taxation

	<	As at	>
	30 June	31 December	31 December
	2012	2011	2010
	RM	RM	RM
At 1 January/Date of incorporation Relating to origination and reversal of	1,038,300	714,100	543,300
temporary differences	169,040	259,800	206,200
(Over)/Under provision in prior	ŕ	•	•
period/year	(2,195)	64,400	(35,400)
At 30 June/31 December	1,205,145	1,038,300	714,100
Presented after appropriate offsetting as follows:			
Deferred tax liability	1,453,275	1,038,300	714,100
Deferred tax asset	(248,130)		
	1,205,145	1,038,300	714,100

The components and inovements of deferred tax liabilities and assets of the Group prior to offsetting are as follows:

Deferred tax liability of the Group:

	Accelerated	
	capital allowance	Total
	RM	RM
At 1 January 2012 Relating to origination and reversal of temporary	1,038,300	1,038,300
differences	417,180	417,180
Over provision in prior year	(2,205)	(2,205)
At 30 June 2012	1,453,275	1,453,275
At 1 January 2011 Relating to origination and reversal of temporary	714,100	714,100
differences	259,800	259,800
Under provision in prior period	64,400	64,400
At 31 December 2011	1,038,300	1,038,300
At date of incorporation Relating to origination and reversal of temporary	543,300	543,300
differences	206,200	206,200
Over provision in prior period	(35,400)	(35,400)
At 31 December 2010	714,100	714,100



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)

14. Deferred Taxation (Cont'd)

Deferred tax asset of the Group:

	Unutilised capital	
	allowance	Total
	RM	RM
At 1 January 2012	-	-
Relating to origination and reversal of temporary		
differences	(248,130)	(248,130)
At 30 June 2012	(248,130)	(248,130)

Deferred tax assets have not been recognised in respect of the following temporary differences:

	<	<>	
	30 June	31 December	31 December
	2012	2011	2010
	RM	RM	RM
Accelerated capital allowance	(23,761)	(17,990)	(44,967)
Unused tax losses	281,243	251,053	150,181
Ununtilised capital allowances	57,202	11,914	35,176
	314,684	244,977	140,390

The unused tax losses and unutilised capital allowance are available indefinitely for offset against future taxable profits of the companies in which those items arose.

15. Trade Payables

The Group's normal trade credit terms range from 30 to 120 (FYE2011/FPE2010: 30 to 120) days. Other credit terms are assessed and approved on a case to case basis.

16. Other Payables

	<	As at	>
	30 June	31 December	31 December
	2012	2011	2010
	RM	RM	RM
Other payables	746,391	1,515,506	2,059,762
Deposits	-	-	360,000
Accruals	411,655	636,632	1,001,552
	1,158,046	2,152,138	3,421,314

Included in other payables are amount of Nil (FYE2011: Nil; FPE2010: RM640,000) being the balance of purchase consideration in respect of the purchase of the Group's leasehold land and factory lot. Subsequent to the FPE2010, the Group has obtained credit facility from a licensed bank to repay the said amount.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)

17. Amount Owing to Directors

This represents unsecured, interest free advances and repayment on demand.

18. Dividend

FPE2010 RM

An interim single tier tax exempt dividend of 208.33% on 204,004 ordinary shares of RM1.00 each in respect of financial period ended 31 December 2010

500,000

19. Segmenting Reporting

No segment reporting is prepared as the principal activities of the Group are predominantly carried out in Malaysia and are engaged in a single business segment of manufacturing, recycling and refining all kinds of solvents and petroleum based products.

Revenue from one major customer amount approximately to RM4,861,000 (FYE2011: RM7,221,000; FPE2010: RM3,830,000) of total revenue.

20. Significant Events

During the FYE2011, the following events took place for the Hiap Huat:

- (a) On 9 September 2011, Hiap Huat converted from a private limited liability company to a public liability company and changed its name from Hiap Huat Holdings Sdn. Bhd. to Hiap Huat Holdings Berhad.
- (b) On 9 September 2011, Hiap Huat had increased its issued and paid-up share capital from RM14,830,133 to RM24,830,133 by the issuance of 10,000,000 new ordinary shares of RM1.00 each pursuant to a bonus issue by way of utilisation of RM10,000,000 from retained profits.
- (c) On 12 September 2011, Hiap Huat subdivided every one (1) ordinary share of RM1.00 into ten (10) ordinary shares of RM0.10 each.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.1 Hiap Huat Group (Cont'd)

7.1.5 Notes to the Financial Statements (Cont'd)

21. Related Party Disclosure

In addition to the transactions detailed elsewhere in the financial statements, the Group had the flowing transactions with related parties during the financial period.

	FPE2012 RM	FYE2011 RM	FPE2010 RM
Director: Rental of premises	-	6,000	6,000
Shareholder: Allowance	33,600_	67,200	16,800

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

22. Capital Commitment

	<>		
	30 June	31 December	31 December
	2012	2011	2010
	RM	RM	RM
Authorised and contracted for:			
Capital work in progress	1,000,964	4,656,337	6,634,713
Plant and machinery	10,125,126	647,905	-
Factory buildings and leasehold land	1,350,000	1,350,000	
	11,576,090	6,654,242	6,634,713

23. Contingent Liability

	30 June	31 December	31 December
	2012	2011	2010
	RM	RM	RM
Secured			
Banker's acceptance in favour of			
third parties			
- Amount utilised	-	191,000	70,000



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)

24. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measure on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 5 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The analysis of the financial assets and liabilities in the statement of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis are as follows:

	Loans and	Financial liabilities at	
	receivables	amortised cost	Total
	RM	RM	RM
FPE2012			
Financial Assets	6.626.206		((2 (20 (
Trade receivables	6,636,206	-	6,636,206
Other receivables	1,943,977	-	1,943,977
Fixed deposits with licensed banks	430,676	-	430,676
Cash and bank balances	1,264,950	-	1,264,950
Total financial assets	10,275,809	-	10,275,809
T1			
Financial Liabilities		1 (50 240	1 (50 240
Trade payables	-	1,658,249	1,658,249
Other payables	-	1,158,046	1,158,046
Hire purchase payables	-	4,649,393	4,649,393
Bank borrowings		13,527,704	13,527,704
Total financial liabilities		20,993,392	20,993,392
FYE2011			
Financial Assets			
Trade receivables	8,439,082	_	8,439,082
Other receivables	1,994,546	_	1,994,546
Fixed deposits with licensed banks	418,474	_	418,474
Cash and bank balances	2,754,877	_	2,754,877
Total financial assets	13,606,979		13,606,979
Total illialicial assets	13,000,575		13,000,979
Financial Liabilities			
Trade payables	_	2,800,163	2,800,163
Other payables	_	2,152,138	2,152,138
Hire purchase payables	_	5,273,202	5,273,202
Bank borrowings	_	13,331,250	13,331,250
Total financial liabilities		23,556,753	23,556,753
THE THE PARTY AND ANY ASSESSED.			30,000,000



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.1 Hiap Huat Group (Cont'd)

7.1.5 Notes to the Financial Statements (Cont'd)

24. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

		Financial	
	Loans and	liabilities at	
	receivables	amortised cost	Total
	RM	RM	RM
FPE2010			
Financial Assets			
Trade receivables	6,954,728	-	6,954,728
Other receivables	1,635,208	-	1,635,208
Fixed deposits with licensed banks	407,215	-	407,215
Cash and bank balances	1,803,732	-	1,803,732
Total financial assets	10,800,883	-	10,800,883
T29			
Financial Liabilities		0.151.400	0.151.400
Trade payables	-	2,171,488	2,171,488
Other payables	-	3,421,314	3,421,314
Amount owing to Director	-	812,142	812,142
Hire purchase payables	-	1,233,492	1,233,492
Bank borrowings		6,789,984	6,789,984
Total financial liabilities	-	14,428,420	14,428,420

(b) Capital risk management objectives and policies

The Group's management manages its capital to ensure that the Group is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of the Group consists of issued eapital, cash and cash equivalents and bank borrowing.

(c) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)

24. Financial Instruments (Cont'd)

(d) Credit risk

Fixed deposits with licensed banks, cash and bank balances are placed with a credit worthy financial institution.

Credit risk arises mainly from the inability of its customers to make payments when due. The Group has adopted a policy of only dealing with creditworthy counterparties. Receivables are monitored on an ongoing basis via Group's management reporting procedures and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting represents the Group's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk except as disclosed in Note 7.1.5.7 to the financial statements.

(e) Liquidity risk

The Group's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

12.



HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.1 Hiap Huat Group (Cont'd)

7.1.5 Notes to the Financial Statements (Cont'd)

24. Financial Instruments (Cont'd)(e) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Repayable within 1 - 2 years RM	Repayable within 2 - 5 years RM	Repayable after 5 years RM	Total RM
rricture Trade payables	1,658,249	ı	ı	ı	1,658,249
	1,158,046	•	•	•	1,158,046
yable	1,195,476	1,192,325	2,261,592	•	4,649,393
10	1,542,054	1,002,892	3,022,543	7,960,215	13,527,704
Fotal financial liabilities	5,553,825	2,195,217	5,284,135	7,960,215	20,993,392
Trade payables	2,800,163	•	1	1	2,800,163
	2,152,138	•	•	•	2,152,138
tyable	1,236,651	1,184,823	2,851,728	•	5,273,202
50	1,531,308	1,093,876	3,367,113	7,338,953	13,331,250
Fotal financial liabilities	7,720,260	2,278,699	6,218,841	7,338,953	23,556,753
Trade payables	2,171,488	t	•	ı	2,171,488
	3,421,314	ı			3,421,314
Directors	812,142	1	1	•	812,142
yable	429,424	350,615	430,285	23,168	1,233,492
pri.	429,872	545,212	1,395,309	4,419,591	6,789,984
Fotal financial liabilities	7,264,240	895,827	1,825,594	4,442,759	14,428,420

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7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)

24. Financial Instruments (Cont'd)

- (f) Market risk
 - (i) Foreign currency exchange risk

The Group's exposure to foreign currency exchange risk is minimal.

(ii) Interest rate risk

The Group obtains financing through other financial liabilities. The Group's policy is to obtain the financing with the most favourable interest rates in the market.

The Group constantly monitors its interest rate risk and does not utilise interest swap eontracts or other derivative instruments for trading or speculative purposes. At the end of the reporting period, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The carrying amounts of the Group's financial instruments that are exposed to interest rate risk are as follows:

	<	As at	>
	30 June	31 December	31 December
	2012	2011	2010
	RM	RM	RM
Financial Asset			
Fixed deposits with			
licensed banks	430,676	418,474	407,215
Financial Liability			
Bank borrowings	13,285,186	12,702,401	6,063,753

The Group is exposed to interest rate risk arising from its short and long term debts obligations, and its fixed deposits. Fixed deposits interest rate is insignificant and any fluctuations in the rate would have no material impact on the results of the Group.

(iii) Interest rate risk sensitivity

An increase in market interest rates by 1% on financial assets and liabilities of the Group which have variable interest rates at the end of the reporting period would decrease the profit before tax by RM128,545 (FYE2011: RM122,839; FPE2010: RM63,828). This analysis assumes that all other variables remain unchanged.

A decrease in market interest rates by 1% on financial assets and liabilities of the Group which have variable interest rates at the end of the reporting period would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)
 - 24. Financial Instruments (Cont'd)
 - (g) Fair values of financial assets and financial liabilities
 - (i) The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amount derived from such methods and valuation technique are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of amount estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of the Group are as follows:

 Cash and cash equivalents, trade and other receivables, intercompany balances, trade and other payables and short-term borrowings

The carrying amounts are considered to approximate the fair values as they are within the normal credit terms or they have short-term maturity period.

Long-term borrowings

Fair value which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Contingent liabilities

It is not practical to estimate the fair value of contingent liabilities as disclosed in Note 7.1.5.23 to the financial statements due to the uncertainties of timing, costs and eventual outcome.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)
 - 24. Financial Instruments (Cont'd)
 - (g) Fair values of financial assets and financial liabilities (Cont'd)
 - (ii) Fair value of financial instruments by categories that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value:

<	As at	>
30 June	31 December	31 December
2012	2011	2010
RM	RM	$\mathbf{R}\mathbf{M}$
3,453,917	4,036,551	804,068
3,132,644	3,632,031	732,870
186,119	526,013	627,776
159,906	443,103	580,330
	2012 RM 3,453,917 3,132,644	30 June 31 December 2012 2011 RM RM 3,453,917 4,036,551 3,132,644 3,632,031 186,119 526,013

25. Operating Leases

The Group has entered into non-cancellable operating lease agreements on rental of property, plant and equipment with remaining non-cancellable lease term of within one year.

The future minimum rental payable under non-cancellable operating leases of property, plant and equipment contracted for as at the reporting date but not recognised as payables are as follows:

30 June 2012	31 December	31 December
2012		
2012	2011	2010
RM	RM	RM
17,860 5,520 23,380	35,230 3,900 39 130	14,780 14,780
	RM 17,860	RM RM 17,860 35,230 5,520 3,900



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.1 Hiap Huat Group (Cont'd)
- 7.1.5 Notes to the Financial Statements (Cont'd)

26. Reclassification

Certain reclassification have been reclassified where necessary to conform with the current financial year's presentation as follows:

	As per audited financial statements RM	Reclassification RM	As restated RM
2011			
Consolidated Statements of Comprehensive Income			
Other operating income	301,194	24,408	325,602
Administration expenses	(8,125,596)	(24,408)	(8,150,004)
Consolidated Statements of Cash Flows Cash Flows From Operating Activities			
(Gain)/Loss on disposal of property, plant and equipment Property, plant and equipment	(273,527)	(24,408)	(297,935)
written off	92,296	24,408	116,704
2010 Consolidated Statements of Cash Flows Cash Flows From Operating Activities Other receivables Other payables Amount owing by/to Directors	(1,166,393) 1,631,244 937,129	1,800 (19,587) 290,000	(1,164,593) 1,611,657 1,227,129
Cash Flows From Investing Activities Net eash inflow arising from mcrger with subsidiary companies	747,345	(747,345)	-
Cash and cash equivalents at beginning of the financial period	3_	475,132	475,135



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HHC

7.2.1 Statement of Comprehensive Income

The following statement of comprehensive income is based on the audited financial statements of HHC for the FYE2008, FYE2009, FYE2010 and FYE2011.

	< FYE 31 December					
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated></restated>	
Revenue	7.2.5.1	36,437,607	30,162,818	24,347,729	31,775,937	
Cost of sales		(23,243,287)	(19,057,246)	(17,622,405)	(23,777,761)	
Gross profit		13,194,320	11,105,572	6,725,324	7,998,176	
Other operating income		329,745	277,637	77,917	128,456	
Administration expenses		(6,425,181)	(6,394,991)	(5,385,386)	(6,689,253)	
Finance costs	7.2.5.2	(536,391)	(344,198)	(350,628)	(309,013)	
Profit before taxation	7.2.5.3	6,562,493	4,644,020	1,067,227	1,128,366	
Taxation	7.2.5.4	(1,782,001)	(1,337,354)	(341,000)	(394,000)	
Net profit for the financial year, representing total comprehensive income for the financial year		4,780,492	3,306,666	726,227	734,366	



7. HISTORICAL FINANCIAL STATEMENTS (CON'D)

7.2 HHC (Cont'd)

7.2.2 Statement of Financial Position

The following statement of financial position is based on the audited financial statements of HHC as at 31 December 2008, 2009, 2010 and 2011.

		<> As at 31 December>				
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>	
Non-Current Assets						
Property, plant and equipment Investment in subsidiary	7.2.5.5	22,182,928	16,752,685	14,623,515	13,038,454	
companies Investment in associated	7.2.5.6	-	-	200,000	200,000	
company	7.2.5.7	-	-	3,000	-	
		22,182,928	16,752,685	14,826,515	13,238,454	
Current Assets						
Inventories Trade receivables	7.2.5.8 7.2.5.9	3,434,422 6,319,944	2,124,995 4,478,789	983,928 3,652,807	548,532 3,913,607	
Other receivables Amount owing by	7.2.5.10	430,981	1,567,223	353,391	252,162	
related companies Amount owing by	7.2.5.11	537,228	807,108	995,595	674,667	
holding company Tax recoverable	7.2.5.12	-	-	1,800 19,787	-	
Fixed deposits with licensed a bank Cash and bank	7.2.5.13	-	-	-	103,708	
balances		1,456,499	968,798	260,946	2,032,880	
		12,179,074	9,946,913	6,268,254	7,525,556	
Total Assets		34,362,002	26,699,598	21,094,769	20,764,010	



7. HISTORICAL FINANCIAL STATEMENTS (CON'D)

7.2 HHC (Cont'd)

7.2.2 Statement of Financial Position (Cont'd)

		<> As at 31 December>			
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
	Note	KWI	141	17(4)	MA
Equity					
Share capital	7.2.5.14	3,649,912	3,649,912	3,649,912	3,649,912
Retained profits		6,299,969	7,519,477	4,212,811	3,486,584
Total Equity		9,949,881	11,169,389	7,862,723	7,136,496
Non-Current Liabilities					
Hire purchase					
payables	7.2.5.15	4,036,551	667,046	244,901	144,292
Bank borrowings	7.2.5.16	5,492,318	4,886,218	5,273,011	5,849,730
Deferred tax		0.42.000	4 7 4 4 4 4 4 4 4 4 4 4	7 00 000	
liability	7.2.5.17	942,000	676,000	508,000	311,000
		10,470,869	6,229,264	6,025,912	6,305,022
Current Liabilities					
Trade payables	7.2.5.18	2,767,889	1,220,810	747,026	1,575,064
Other payables	7.2.5.19	1,244,319	2,425,813	1,488,492	1,409,496
Amount owing to					
related companies Amount owing to	7.2.5.11	945,905	3,307,516	3,451,722	2,641,479
holding company Amount owing to	7.2.5.12	5,790,392	210,326	-	-
Directors Hire purchase	7.2.5.20	-	769,084	-	273,777
payables	7.2.5.15	1,195,835	344,079	200,856	247,558
Bank borrowings	7.2.5.16	711,362	284,769	1,318,038	971,527
Tax payables		1,285,550	738,548_		203,591
		13,941,252	9,300,945	7,206,134	7,322,492
Total Liabilities		24,412,121	15,530,209	13,232,046	13,627,514
Total Equity and Liabilities		34,362,002	26,699,598	21,094,769	20,764,010
	1	,,	,,0	22,00 .,. 00	20,701,010



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HHC (Cont'd)

7.2.3 Statement of Changes in Equity

The following statement of changes in equity is based on the audited financial statements of HHC as at 31 December 2008, 2009, 2010 and 2011.

	Note	Share Capital RM	Retained Profits RM	Total RM
At 1 January 2008	Note	3,649,912	2,752,218	6,402,130
Net profit for the financial year, representing total comprehensive income for the				
financial year		-	734,366	734,366
At 31 December 2008		3,649,912	3,486,584	7,136,496
At 1 January 2009		3,649,912	3,486,584	7,136,496
Net profit for the financial year, representing total comprehensive income for the				
financial year		-	726,227	726,227
At 31 December 2009		3,649,912	4,212,811	7,862,723
At 1 January 2010		3,649,912	4,212,811	7,862,723
Net profit for the financial year, representing total comprehensive income for the				
financial year		-	3,306,666	3,306,666
At 31 December 2010		3,649,912	7,519,477	11,169,389
At 1 January 2011		3,649,912	7,519,477	11,169,389
Net profit for the financial year, representing total comprehensive income for the				
financial year		-	4,780,492	4,780,492
Dividend	7.2.5.21	-	(6,000,000)	(6,000,000)
At 31 December 2011		3,649,912	6,299,969	9,949,881



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HHC (Cont'd)

7.2.4 Statement of Cash Flows

The following statement of cash flows is based on the audited financial statements of HHC for the FYE 31 December 2008, 2009, 2010 and 2011.

	<	FYE 31 E	December	>
			<restated></restated>	<restated></restated>
	2011	2010	2009	2008
	RM	RM	RM	RM
	1417	1411	1411	1411
Cash Flows From Operating Activities				
Profit before taxation	6,562,493	4,644,020	1,067,227	1,128,366
Adjustments for:				
Bad debts written off	_	-	-	103,500
Depreciation of property,				
plant and equipment	1,663,708	1,098,531	746,070	734,279
Property, plant and	-,,	-,	, , _, _,	,,
equipment written off	41,856	633	_	27,310
Impairment loss due to	11,020			_/,==
reorganisation	_	210,000	_	-
(Gain)/Loss on disposal of		210,000		
property, plant and				
equipment	(146,429)	12,000	1,431	_
Interest expenses	536,391	344,198	350,628	309,013
Interest income	(2,951)	(1,414)	(17,710)	(4,220)
	(2,931)	(1,414)	(17,710)	(4,220)
Operating profit before	0 655 060	6 207 069	2 147 646	2 200 240
working capital changes	8,655,068	6,307,968	2,147,646	2,298,248
D				
Decrease/(Increase) in				
working capital		(2.44.0. 5	(12.7.7.7)	
Inventories	(1,309,427)	(1,141,067)	(435,396)	131,880
Trade receivables	(1,841,155)	(825,982)	260,800	304,958
Other receivables	1,136,372	(1,213,832)	(101,229)	341,955
Trade payables	1,547,079	473,784	(828,038)	1,020,164
Other payables	(1,181,494)	930,321	78,996	(1,586,073)
Amount owing by/to related				
companies	(2,195,701)	44,281	489,315	1,602,230
Amount owing by/to				
holding company	5,580,066	212,126	(1,800)	_
Amount owing to Directors	(769,084)	769,084	(273,777)	92,213
	966,656	(751,285)	(811,129)	1,907,327
Cash generated from				
operations	9,621,724	5,556,683	1,336,517	4,205,575
Interest paid	(536,391)	(344,198)	(350,628)	(309,013)
Tax paid	(968,999)	(411,019)	(367,378)	(794,863)
Interest received	2,951	1,414	17,710	4,220
	(1,502,439)	(753,803)	(700,296)	(1,099,656)
Net cash from operating	(1,302,737)	(133,003)	(700,290)	(1,022,030)
activities	0 110 205	4 902 000	626 221	2 105 010
activities	8,119,285	4,802,880	636,221	3,105,919



7. HISTORICAL FINANCIAL STATEMENTS (CON'D)

7.2 HHC (Cont'd)

7.2.4 Statement of Cash Flows (Cont'd)

	<	FYE 31 I	December	>
	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
Cash Flows From Investing Activities				
Purchase of property, plant and equipment Proceed from disposal of	(1,980,961)	(2,428,434)	(1,998,562)	(102,687)
property, plant and equipment Investment in a subsidiary	1,196,500	12,000	6,000	-
company Investment in an associated	-	-	-	(100,000)
company	-	-	(3,000)	
Net cash used in investing activities	(784,461)	(2,416,434)	(1,995,562)	(202,687)
Cash Flows From Financing Activities Decrease/(Increase) of fixed				
deposits pledged Repayment of bank	-	-	103,708	(3,708)
borrowings Repayment of hire purchase	(377,128)	(596,600)	(639,456)	(615,037)
payables Dividend paid	(762,816) (6,000,000)	(258,532)	(286,093)	(463,210)
Net cash used in financing activities	(7,139,944)	(855,132)	(821,841)	(1,081,955)
Net increase/(decrease) in cash and cash equivalents Cash and cash equivalents at beginning of the financial	194,880	1,531,314	(2,181,182)	1,821,277
year	968,798	(562,516)	1,618,666	(202,611)
Cash and cash equivalents at end of the financial year	1,163,678	968,798	(562,516)	1,618,666
Cash and cash equivalents at end of the financial year comprises:				
Cash and bank balances Fixed deposits with licensed	1,456,499	968,798	260,946	2,032,880
a bank Bank overdrafts	(202.821)	-	(000 460)	103,708
bank overdrags	<u>(292,821)</u> 1,163,678	968,798	(823,462) (562,516)	<u>(414,214)</u> 1,722,374
Less: Fixed deposits pledged to a licensed	1,200,070	700,770	(302,310)	
bank	1,163,678	968,798	(562,516)	(103,708) 1,618,666
•	-,,	700,770	(502,510)	1,010,000



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HHC (Cont'd)

7.2.5 Notes to the Financial Statements

1. Revenue

This represents invoiced value of services rendered and goods sold less returns and discounts, if any.

2. Finance Costs

	<> FYE 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Interest expenses on:				
Bank overdraft	28,302			
Bill payables	20,059	-	-	13,387
Hire purchase payables	194,335	54,895	30,241	70,436
Term loan interest	293,695	289,303	320,387	225,190
	536,391	344,198	350,628	309,013

3. Profit before Taxation

(a) Profit before taxation is derived after charging/(crediting):

	<>				
	2011	2010	2009	2008	
	RM	RM	RM	RM	
Auditors' remuneration					
- Current year	28,000	20,000	25,000	33,000	
- Under provision in prior year	-	-	-	5,500	
Bad debts written off	-	-	-	103,500	
Depreciation of property, plant and equipment	1,663,708	1,098,531	746,070	734,279	
Directors' remuneration - Salaries and other				·	
emolument Impairment loss due to	1,040,600	488,400	413,000	275,892	
reorganisation (Gain)/Loss on disposal of	-	210,000	-	-	
property, plant and equipment Management fee paid/payable to	(146,429)	12,000	1,431	-	
holding company		195,000		-	



HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)
 - Profit before Taxation (Cont'd)
 - (a) Profit before taxation is derived after charging/(crediting) (Cont'd):

	<> FYE 31 December>				
	2011	2010	2009	2008	
	RM	RM	RM	RM	
Property, plant and					
equipment written				07.010	
off	41,856	663	-	27,310	
Rental of premises	85,350	106,625	81,940	195,170	
Rental of plant and					
machinery	21,180	19,760	32,199	-	
Interest received	(2,951)	(1,414)	(17,710)	(4,220)	
Rental income	(180,365)	(276,223)	(60,115)	(72,470)	
Staff Costs					

(b)

Staff costs (excluding Directors)

Included in the total staff costs above are contributions made to the Employee Provident Fund under a defined contribution plan for HHC amounting to RM233,363 (2010: RM245,270; 2009: RM173,109; 2008: RM115,658).

(c) Key Management Personnel Compensation

	<> FYE 31 December>			
•	2011	2010	2009	2008
	RM	RM	RM	RM
Short-term				
employee benefits	1,040,600	523,760	453,120	309,688

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including any Director of the HHC.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HHC (Cont'd)

7.2.5 Notes to the Financial Statements (Cont'd)

4. Taxation

	<	FYE 31 D	ecember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Tax expense for the financial year				
Current year provision Under provision in	1,360,000	1,125,000	144,000	361,000
prior years	156,001	44,354	-	-
-	1,516,001	1,169,354	144,000	361,000
Deferred tax:				
Relating to origination and reversal of				
temporary differences	250,000	215,000	197,000	33,000
Under/(Over) provision in prior				
years	16,000	(47,000)	-	-
	266,000	168,000	197,000	33,000
	1,782,001	1,337,354	341,000	394,000

Current income tax is calculated at the statutory tax rate of 25% (2010/2009: 25%; 2008: 26%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of HHC is as follows:

	<	FYE 31 I	December	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Profit before taxation	6,562,493	4,644,020	1,067,227	1,128,366
Taxation at statutory tax rate of 25% (2010/2009:				
25%; 2008: 26%)	1,640,623	1,161,005	266,807	293,375
Expenses not deductible				
for tax purposes	320,405	178,995	74,193	100,625
Reinvestment allowance	(351,028)	-		, -
Under provision of current taxation in prior years	156,001	44,354	_	_
Under/(Over) provision of deferred taxation in	150,001	11,501		
prior years	16,000	(47,000)	-	-
Tax expense for the				
financial year	1,782,001	1,337,354	341,000	394,000
			······	



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HISTORICAL FINANCIAL STATEMENTS (CONT'D)

HHC (Cont'd) 7.2

7.2.5 Notes to the Financial Statements (Cont'd)

5. Property, Plant and Equipment

	Leasehold land and factory lots RM	Leaschoid bungalow Iand RM	Furniture and fittings and office equipment RM	Motor vehicles RM	Renovation RM	Plant and machinery RM	Total RM
2011 Cost							
At 1 January 2011	10,964,131	597,703	969'809	2,563,128	722,970	5,571,535	21,028,163
Additions	536,684	'	200,699	821,978	•	6,522,677	8,082,038
Reclassification	•	'	(94,500)	•	,	94,500	
Disposal	(681,808)	1	(7,888)	(153,187)	•	(394,340)	(1,237,223)
Written off	,	•	(164,474)		t	(87,733)	(252,207)
Transfer from related company	•	•	068	•	1	103,080	103,970
Transfer to prepayment	(130)	•	•	•		•	(130)
At 31 December 2011	10,818,877	597,703	543,423	3,231,919	722,970	11,809,719	27,724,611
Accumulated depreciation							
At 1 January 2011	948,571	94,945	304,504	1,240,680	469,567	1,217,211	4,275,478
Charge for the financial year	212,592	11,954	49,049	435,558	49,387	905,168	1,663,708
Reelassification	,	•	(69,724)	•	•	69,724	•
Disposal	(62,499)	•	(4,141)	(79,603)	1	(40,909)	(187,152)
Written off		•	(147,026)	•	-	(63,325)	(210,351)
At 31 December 2011	1,098,664	106,899	132,662	1,596,635	518,954	2,087,869	5,541,683
Carrying amount							
At 31 December 2011	9,720,213	490,804	410,761	1,635,284	204,016	9,721,850	22,182,928



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7.2.5 Notes to the Financial Statements (Cont'd) HHC (Cont'd)

7.2

HISTORICAL FINANCIAL STATEMENTS (CONT'D)

Property, Plant and Equipment (Cont'd)

	Leasehold land and factory lots RM	Leasehold bungalow Iand RM	Furniture and fittings and office equipment	Motor vehicles RM	Renovation RM	Plant and machinery RM	Total RM
2010 Cost At 1 January 2010 Additions	10,874,292	597,703	487,325 122,191	1,702,593	722,970	3,421,766 2,149,769	17,806,649
Disposal Written off			(820)	(30,000)			(30,000)
At 31 December 2010	10,964,131	597,703	969,809	2,563,128	722,970	5,571,535	21,028,163
Accumulated depreciation At 1 January 2010	731,341	82,991	267,915	906,110	410,923	783.854	3,183,134
Charge for the financial year Disposal	217,230	11,954	36,776	340,570	58,644	433,357	1,098,531
Written off	r	•	(187)		,	,	(187)
At 31 December 2010	948,571	94,945	304,504	1,240,680	469,567	1,217,211	4,275,478
Carrying amount At 31 December 2010	10,015,560	502,758	304,192	1,322,448	253,403	4,354,324	16,752,685



12.

HISTORICAL FINANCIAL STATEMENTS (CONT'D)

					Total RM		15,813,046	(344,959)	17,806,649	2.774.592	746,070	(337,528)	3,183,134	14,623,515
					Plant and machinery RM		2,268,265	(344,959)	3,421,766	874.691	246,691	(337,528)	783,854	2,637,912
					Renovation RM	:	600,089	י י ס ס ס	722,970	361.070	49,853		410,923	312,047
					Motor vehicles RM	,	1,046,570 656.023		1,702,593	712.852	193,258	•	906,110	796,483
					Furniture and fittings and office equipment	,	426,127		487,325	240,831	27,084		267,915	219,410
					Leasehold bungalow land RM	;	597,703	•	597,703	71,037	11,954	,	82,991	514,712
	ENTS (CONT'D)			ont'd)	Leasehold land and factory lots RM		10,874,292	•	10,874,292	514,111	217,230	•	731,341	10,142,951
	HISTORICAL FINANCIAL STATEMENTS (CONT'D)	2 HHC (Cont'd)	2.5 Notes to the Financial Statements (Cont'd)	5. Property, Plant and Equipment (Cont'd)	of independent account	2009 Cost	At 1 January 2009 Additions	Disposal	At 31 December 2009	Accumulated depreciation At 1 January 2009	Charge for the financial year	Disposal	At 31 December 2009	Carrying amount At 31 December 2009
A member o	f UHY I	nlernati	onal, a r	network o	of independent account	ing and cons	ultıng	firms 260						
							4	UU						

Total RM



12.

HISTORICAL FINANCIAL STATEMENTS (CONT'D) HHC (Cont'd) 7.2 ζ.

Property, Plant and Equipment (Cont'd) 5.

7.2.5 Notes to the Financial Statements (Cont'd)

			Furniture and			
	Leasehold land and factory lots RM	Leasehold bungalow land RM	fittings and office equipment	Motor vehicles RM	Renovation RM	Plant and machinery RM
2008 Cost						
At 1 January 2008	9,524,191	597,703	336,247	949,105	680'009	1,746,355
Additions	1,350,101	•	92,810	219,366	,	521,910
Written off		•	(2,930)	(121,901)	•	,
At 31 December 2008	10,874,292	597,703	426,127	1,046,570	680,009	2,268,265
Accumulated depreciation						
At 1 January 2008	310,562	59,083	217,012	562,102	310,586	678,489
Charge for the financial year	203,549	11,954	23,819	248,271	50,484	196,202
Written off		•	-	(97,521)	•	•
At 31 December 2008	514,111	71,037	240,831	712,852	361,070	874,691
Carrying amount At 31 December 2008	10.360.181	526 666	185.296	333 718	239 019	1 393 574

13,753,690 2,184,187 (124,831) 15,813,046

1,746,355 521,910

2,137,834 734,279 (97,521)

13,038,454

1,393,574



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)
 - 5. Property, Plant and Equipment (Cont'd)
 - (a) The carrying amount of property, plant and equipment acquired under hire purchase are as follow:

	<	As at 31 D	December	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Motor vehicles Plant and	690,478	970,149	396,808	168,791
machinery	5,168,929	538,244	288,750	181,800
	5,859,407	1,508,393	685,558	350,591

- (b) The leasehold land and factory lots with carrying amount of RM9,410,613 (2010: RM9,608,921; 2009: RM9,818,951; 2008: RM10,028,981) have been pledged to licensed banks for credit facilities granted to the Company as disclosed in Note 7.2.5.16 to the financial statements
- (c) The remaining period of the leasehold land and factory lots ranges from 42 to 85 (2010: 43 to 86; 2009: 44 to 87; 2008: 45 to 88) years.
- (d) The remaining period of the leasehold bungalow land is 84 (2010: 85; 2009: 86; 2008: 87) years.
- (e) The aggregate additional cost for the property, plant and equipment of HHC under hire purchase, term loans and cash payment are as follows:

	<	FYE 31 D	ecember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Aggregate costs Less: Hire purchase	8,082,038	3,252,334	2,338,562	2,184,187
financing Less: Term loans	(4,984,077)	(823,900)	(340,000)	(346,500)
financing Cash payment	(1,117,000) 1,980,961	2,428,434	1,998,562	(1,735,000) 102,687



- 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)
- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)
 - 6. Investment in Subsidiary Companies
 - (a) Investment in subsidiary companies:

	<	As at 31 l	December	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Unquoted shares,				
at cost			200.000	200.000
In Malaysia	-		200,000	200,000

On 18 August 2010, HHC has disposed its investment in subsidiary companies as follow:

- entire issued and paid-up share capital of 100,000 ordinary shares of RM1.00 each, which representing 100% equity interest in CNT Hardware and Petroleum Sdn. Bhd. For a total consideration of RM1,698,006;
- entire issued and paid-up share capital of 100,000 ordinary shares of RM1.00 each, which representing 100% equity interest in Hiap Huat Services Sdn. Bhd. For a total consideration of RM95,538; and
- (iii) entire issued and paid-up share capital of 10,000 ordinary shares of RM1.00 each, which representing 100% equity interest in Hiap Huat Chemicals (Labuan) Sdn. Bhd. For a total consideration of RM7,240.
- (b) The subsidiary companies and shareholdings therein is as follows:

Name of company	Country of incorporation		Effectinte:		,	Principal activities
		2011 %	2010 %	2009 %	2008 %	-
Direct holding:						
CNT Hardware and Petroleum Sdn. Bhd.	Malaysia	-	-	100	100	Trading in recycled fuel oil and other related products. Currently dormant.
Huat Huat Services Sdn. Bhd.	Malaysia	-	-	100	100	Dormant (Providing cleaning services related to waste disposal)



- 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)
- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)
 - 7. Investment in an Associated Company
 - (a) An associated company and shareholdings therein is as follows:

	<	As at 31 I	December	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Unquoted shares, at				
cost				
In Malaysia	-		3,000	

(b) An associated company and shareholdings therein is as follows:

Name of company	Country of incorporation		Effec inter			Principal activities
	-	2011 %	2010 %	2009 %	2008 %	
Direct holding:		, ,	,,	, •		
Huat Huat Chemicals (Labuan) Sdn. Bhd.	Malaysia	-	-	30	-	Dormant

(c) The summarised financial information of an associated company is as follows:

	<> As at 31 December>				
	2011	2010	2009	2008	
	RM	RM	RM	RM	
Assets and liabilities Current assets	-	-	7,740	_	
Current liabilities			500		
Results Net loss for the financial period	<u> </u>	<u> </u>	(2,760)	<u>-</u>	

8. Inventories

	<> As at 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
At cost				
Raw material	1,760,922	726,125	658,525	392,286
Packaging material	292,739	199,139	187,797	
Finished goods	1,380,761	1,199,731	137,606	156,246
	3,434,422	2,124,995	983,928	548,532



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HHC (Cont'd)

7.2.5 Notes to the Financial Statements (Cont'd)

9. Trade Receivables

HHC's normal trade credit terms range from 30 to 120 days. Other credit terms are assessed and approved on a case by case basis.

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

HHC's credit exposures are concentrated mainly on two (2) (2011/2010/2009/2008: one (1)) trade receivables, which accounted for 32% (2010: 24%; 2009: 24%; 2008: 30%) of total trade receivables.

Analysis of the trade receivables ageing are as follows:

	<	As at 31 D	ecember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Neither past due nor				
impair	6,075,153	4,118,598	3,218,514	3,259,737
Past due less than 30				
days not impaired	74,343	162,312	229,672	144,585
Past due for more than				
31 - 60 days not				
impaired	136,261	53,920	51,316	110,421
Past due for more than				
60 days not impaired	34,187	143,959	153,305	398,864
	6,319,944	4,478,789	3,652,807	3,913,607

HHC has not recognised any impairment loss on certain receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered receivable.

10. Other Receivables

	<>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Other receivables	9,386	117,178	104,555	46,394
Deposits	100,090	82,100	49,452	117,761
Prepayments	321,505	1,367,945	199,384	88,007
	430,981	1,567,223	353,391	252,162

HHC has not recognised any impairment loss on certain receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered receivable.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)

11. Amount Owing by/to Related Companies

- (a) Amount owing by related companies represent unsecured, interest free advances and repayable on demand except for an amount of RM529,010 (2010: RM792,235; 2009: RM995,595; 2008: RM664,697) which is made up of trade transactions.
- (b) Amount owing to related companies represent unsecured, interest free advances and repayable on demand except for an amount of RM845,905 (2010: RM3,307,516; 2009: RM3,354,944; 2008: RM1,843,611) which is made up of trade transactions.

12. Amount owing by/to Holding Company

- (a) The holding company is Hiap Huat Holdings Berhad, a company incorporated in Malaysia.
- (b) This represents unsecured, interest free advances and repayable on demand.

13. Fixed Deposits with a Licensed Bank

The fixed deposits have been pledged with a licensed bank for bank facilities granted to HHC.

The interest rate of the fixed deposits during the financial year is Nil (2010: Nil; 2009: 2.50%; 2008: 3.70%) per annum and the maturities of the deposits are Nil (2010: Nil; 2009: 365; 2008: 365) days.

- As at 31 December

14. Share Capital

	<u> </u>	As at 311	Jecember	
	2011	2010	2009	2008
	RM	RM	RM	RM
Ordinary shares of RM1.00 each:				
Authorised	10,000,000	10,000,000	10,000,000	10,000,000
Issued and fully paid up	3,649,912	3,649,912	3,649,912	3,649,912



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)

15. Hire Purchase Payables

		< As at 31 December			
		2011	2010	2009	2008
		RM	RM	RM	RM
(a)	Minimum hire purchase payments				
	Within one year Between one and	1,481,141	334,508	270,663	182,122
	five years	4,455,791	778,107	225,048	270,663
	,	5,936,932	1,112,615	495,711	452,785
	Less: Future	, ,,	, ,	,	,
	finance charges	(704,546)	(101,490)	(49,954)	(60,935)
	Present value of hire purchase				
	liabilities	5,232,386	1,011,125	445,757	391,850
(b)	Present value of hire purchase liabilities Within one year	1,195,835	344,079	200,856	247,558
	Between one and	1,175,655	344,075	200,030	247,550
	five years	4,036,551	667,046	244,901	144,292
	·	5,232,386	1,011,125	445,757	391,850
	Analyse as: Repayable within				
	twelve months	1,195,835	344,079	200,856	247,558
	Repayable after twelve months	4,036,551	667,046	244,901	144,292
	PIT TAT T PROPERTY	5,232,386	1,011,125	445,757	391,850
		2,202,000	1,011,120	1 10,707	0,71,000

The hire purchase liabilities interest is charged at rates ranging from 2.55% to 4.13% (2010: 2.58% to 3.28%; 2009: 3.00% to 5.25%; 2008: 3.00% to 5.25%) per annum.

16. Bank Borrowings

	<>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Sccured:				
Fixed rate				
Term loans	628,849	726,231	819,238	626,210
Floating rate				
Bank overdrafts	292,821	-	823,462	414,214
Term loans	5,282,010	4,444,756	4,948,349	5,780,833
Total bank borrowings	6,203,680	5,170,987	6,591,049	6,821,257



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)
 - 16. Bank Borrowings (Cont'd)

	<>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Analysed as: Repayable within				
twelve months Repayable after twelve	711,362	284,769	1,318,038	971,527
months	5,492,318 6,203,680	4,886,218 5,170,987	5,273,011 6,591,049	5,849,730 6,821,257
	0,203,080	3,170,987	0,391,049	0,621,237

The above credit facilities obtained from licensed bank are secured by the following:

- (a) facility agreement as principal instrument;
- (b) asset purchase agreement as subsidiary instruments;
- (c) fixed charge over leasehold land and factory lots of HHC as disclosed in Note 7.2.5.5 to the financial statements;
- (d) pledged of fixed deposits as disclosed in Note 7.2.5.13 to the financial statements; and
- (e) jointly and severally guaranteed by certain Directors of HHC.

The term loans are repayable by monthly installment over 10 to 15 years.

Maturity of bank borrowings is as follows:

	<>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Within one year	711,362	284,769	1,318,038	971,527
Between one and two				
years	443,423	302,029	494,576	535,494
Between two and five				
years	1,460,258	1,020,845	1,483,728	1,566,637
After five years	3,588,637	3,563,344	3,294,707	3,747,599
	6,203,680	5,170,987	6,591,049	6,821,257

Ranges of interest rates during the financial year are as follows:

	<	< As at 31 December		
	2011	2010	2009	2008
	%	%	%	%
Bank overdrafts	7.60 - 7.85	7.55 - 7.80	7.05 - 7.30	8.00 - 8.25
Term loans	4.00 - 6.80	4.00 - 7.75	4.00 - 7.30	4.00 - 6.70



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HHC (Cont'd)

7.2.5 Notes to the Financial Statements (Cont'd)

17. Deferred Tax Liability

	<>			
	2011	2010	2009	2008
	RM	RM	RM	RM
At 1 January Relating to origination and reversal of timing	676,000	508,000	311,000	278,000
differences Under/(Over) provision	250,000	215,000	197,000	33,000
in prior years	16,000	(47,000)		
At 31 December	942,000	676,000	508,000	311,000

The components and movements of deferred tax liability of HHC are as follows:

	Accelerated	
	capital allowance	Total
	RM	RM
At 1 January 2010	676,000	676,000
Relating to origination and reversal of timing differences	250,000	250,000
Under provision in prior years	16,000	16,000
At 31 December 2010	942,000	942,000
At 1 January 2010	508,000	508,000
Relating to origination and reversal of timing differences	215,000	215,000
Over provision in prior years	(47,000)	(47,000)
At 31 December 2010	676,000	676,000
At 1 January 2009	311,000	311,000
Relating to origination and reversal of timing differences	197,000	197,000
At 31 December 2009	508,000	508,000
At 1 January 2008	278,000	278,000
Relating to origination and reversal of timing differences	33,000	33,000
At 31 December 2008	311,000	311,000

18. Trade Payables

HHC's normal trade credit terms range from 30 to 120 days. Other credit terms are assessed and approved on a case to case basis.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)
 - 19. Other Payables

	<	As at 31 l	December	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Other payables	753,054	1,338,983	1,028,522	1,064,375
Accruals	491,265	726,830	459,970	345,121
Deposits	-	360,000	•	-
	1,244,319	2,425,813	1,488,492	1,409,496

Included in other payables are amount of Nil (2010: RM640,000; 2009/2008: RM684,000) being the balance of purchase consideration in respect of the purchase of HHC's leasehold land and factory lot. During the FYE2011, HHC has obtained credit facility from licensed bank to repay the said amount.

20. Amount Owing to Directors

This represents unsecured, interest free advances and repayable on demand.

21. Dividend

FYE2011 RM

An interim single tier tax exempt dividend of 164.39% on 3,649,912 ordinary shares of RM1.00 each in respect of financial year ended 31 December 2011 was paid on 30 November 2011 6,000,000



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)

22. Related Party Disclosure

(a) In addition to the transactions detailed elsewhere in the financial statements, HHC had the following transactions with related parties during the financial year.

	<	As at 31	December	>
	2011	2010	2009	2008
	RM	RM	RM	RM
	Idvi	7471	7471	X
Holding company Management fee				
paid/payable	-	195,000	-	-
Related companies: Sales of goods and				
services	7,537,784	9,856,554	4,312,665	6,558,147
Purchase of goods and services	14,400	7,057,477	6,223,436	10,102,670
Rental income on premises and				
machinery	180,000	276,000	60,000	72,740
Rental of factory Transfer of property, plant and	-	-	-	90,000
equipment Assignment of debts from related companies to	103,970	-	-	-
holding company	3,773,169	-	-	-
Rclated party: Pension payment Purchase of motor	-	16,800	-	-
vehicle		<u>-</u>		25,000

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

(b) Information regarding outstanding balances arising from related party transactions as at reporting date is disclosed in Notes 7.2.5.11 and 7.2.5.12 to the financial statements.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)

23. Contingent Liability

	<>					
	2011	2010	2009	2008		
	RM	RM	RM	RM		
Secured						
Corporate guarantee given to a licensed bank for credit						
facility granted to a related company						
- Amount utilised	6,789,748	1,422,110	1,504,818	-		
Banker's acceptance in favour of third parties						
- Amount utilised	191,000	70,000	-	-		
	6,980,748	1,492,110	1,504,818	-		

24. Financial Instruments

Certain comparative figures have not been presented for 31 December 2009 and 2008 by virtue of the exemption given in the paragraph 44AA of FRS 7, which is effective for annual periods beginning on and after 1 January 2010.

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 5 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loan and receivables RM	Financial liabilities at amortised cost RM	Total RM
2011			
Financial Assets			
Trade receivables	6,319,944	-	6,319,944
Other receivables	430,981	-	430,981
Amount owing by related companies	537,228	-	537,228
Cash and bank balanees	1,456,499	-	1,456,499
Total financial assets	8,744,652	-	8,744,652



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HHC (Cont'd)

7.2.5 Notes to the Financial Statements (Cont'd)

24. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Loan and receivables RM	Financial liabilities at amortised cost RM	Total RM
2011			
Financial Liabilities		2 5 5 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	2 5 5 2 2 2 2 2
Trade payables	-	2,767,889	2,767,889
Other payables Amount owing to holding company	-	1,244,319 5,790,392	1,244,319 5,790,392
Amount owing to nothing company Amount owing to related companies	_	945,905	945,905
Hire purchase payables		5,232,386	5,232,386
Bank borrowings	-	6,203,680	6,203,680
Total financial liabilities		22,184,571	22,184,571
	<u></u>		
2010			
Financial Assets			
Trade receivables	4,478,789	-	4,478,789
Other receivables	1,567,223	-	1,567,223
Amount owing by related companies	807,108	-	807,108
Cash and bank balances	968,798		968,798
Total financial assets	7,821,918	-	7,821,918
Transcript Youk Market			
Financial Liabilities Trade payables		1 220 810	1 220 910
Other payables	-	1,220,810 2,425,813	1,220,810 2,425,813
Amount owing to holding company	_	210,326	210,326
Amount owing to related companies	_	3,307,516	3,307,516
Amount owing to Directors	-	769,084	769,084
Hire purchase payables	-	1,011,125	1,011,125
Bank borrowings	-	5,170,987	5,170,987
Total financial liabilities	-	14,115,661	14,115,661
	_		
2009			
Financial Assets			
Trade receivables	3,652,807	-	3,652,807
Other receivables	353,391	-	35 3,391
Amount owing by holding company	1,800	-	1,800
Amount owing by related companies	995,595	-	995,595
Cash and bank balances	260,946		260,946
Total financial assets	5,264,539	-	5,264,539



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)
 - 24. Financial Instruments (Cont'd)
 - (a) Classification of financial instruments (Cont'd)

	Loan and receivables RM	Financial liabilities at amortised cost RM	Total RM
2009			
Financial Liabilities			
Trade payables	-	747,026	747,026
Other payables	-	1,488,492	1,488,492
Amount owing to related companies	-	3,451,722	3,451,722
Hire purchase payables	-	445,757	445,757
Bank borrowings		6,591,049	6,591,049
Total financial liabilities		12,724,046	12,724,046
Financial Assets Trade receivables Other receivables Amount owing by related companies Fixed deposits with licensed a bank Cash and bank balances Total financial assets	3,913,607 252,162 674,667 103,708 2,032,880 6,977,024	- - - -	3,913,607 252,162 674,667 103,708 2,032,880 6,977,024
Financial Liabilities			
Trade payables	-	1,575,064	1,575,064
Other payables	-	1,409,496	1,409,496
Amount owing to related companies	-	2,641,479	2,641,479
Amount owing to Directors	-	273,777	273,777
Hire purchase payables	-	391,850	391,850
Bank borrowings		6,821,257	6,821,257
Total financial liabilities	-	13,112,923	13,112,923



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)

24. Financial Instruments (Cont'd)

(b) Capital risk management objectives and policies

HHC's management manages its capital to ensure that HHC is able to continue as a going concern and maintains an optimal capital structure so as to maximise sharcholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of HHC consists of issued capital, cash and cash equivalents and bank borrowings.

(c) Financial risk management objectives and policies

HHC's financial risk management policy is to ensure that adequate financial resources are available for the development of the HHC's operations whilst managing its financial risks, including credit risk, foreign currency exchange risk, interest risk and liquidity risk. HHC operates within clearly defined guidelines that are approved by the Board and the HHC's policy is not to engage in speculative transactions.

(d) Credit risk

Cash and bank balances and fixed deposits are placed with a credit worthy financial institution.

Credit risk arises mainly from the inability of its customers to make payments when due. HHC has adopted a policy of only dealing with creditworthy counterparties. Receivables are monitored on an ongoing basis via HHC's management reporting procedures and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting represents the HHC's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk except as disclosed in Note 7.2.5.9 to the financial statements.

(e) Liquidity risk

HHC's funding requirements and liquidity risk arc managed with the objective of meeting business obligations on a timely basis. HHC monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which HHC can be required to pay.



HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2.5 Notes to the Financial Statements (Cont'd)

HHC (Cont'd)

7.2

24. Financial Instruments (Cont'd)

(e) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Repayable within 1 - 2 years RM	Repayable within 2 - 5 years RM	Repayable after 5 years RM	Total RM
2011					
Financial liabilities					
Trade payables	2,767,889	1	•		2.767.889
Other payables	1,244,319	•	•	,	1.244.319
Amount owing to holding company	5,790,392	•	•	•	5.790.392
Amount owing to related companies	945,905	•	,		945,905
Hire purchase payables	1,195,835	1,184,823	2,851,728		5,232,386
Bank borrowings	711,362	443,423	1,460,258	3,588,637	6,203,680
Total financial liabilities	12,655,702	1,628,246	4,311,986	3,588,637	22,184,571
2010					
Financial liabilities					
Trade payables	1,220,810	•	•	•	1.220.810
Other payables	2,425,813	•	ı		2,425,813
Amount owing to holding company	210,326	•	•		210,326
Amount owing to related companies	3,307,516	•		,	3,307,516
Amount owing to Directors	769,084	•	•	•	769,084
Hire purchase payables	344,079	269,876	397,170	•	1.011,125
Bank borrowings	284,769	302,029	1,020,845	3,563,344	5,170,987
Total financial liabilities	8,562,397	571,905	1,418,015	3,563,344	14,115,661

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HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2.5 Notes to the Financial Statements (Cont'd)

HHC (Cont'd)

7.2

24. Financial Instruments (Cont'd)

(e) Liquidity risk (Cont'd)

Total RM	747,026	1,488,492 3.451.722	445,757	6,591,049	12,724,046		1,575,064	1,409,496	2,641,479	273,777	391,850	6,821,257	13,112,923
Repayable after 5 years RM			•	3,294,707	3,294,707		,				•	3,747,599	3,747,599
Repayable within 2 - 5 years RM	,		80,503	1,483,728	1,564,231		•			•	51,041	1,566,637	1,617,678
Repayable within 1 - 2 years RM	,		164,398	494,576	658,974		•	•	•		93,251	535,494	628,745
On demand or within I year RM	747,026	1,488,492	200,856	1,318,038	7,206,134		1,575,064	1,409,496	2,641,479	273,777	247,558	971,527	7,118,901
	2009 Financial liabilities Trade payables	Other payables Amount owing to related companies	Hire purchase payables	Bank borrowings	Total financial liabilities	2008 Khancial liabilities	Trade payables	Other payables	Amount owing to related companies	Amount owing to Directors	Hire purchase payables	Bank borrowings	Total financial liabilities

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7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)
 - 24. Financial Instruments (Cont'd)
 - (f) Market risks
 - (i) Foreign currency exchange risk

HHC's exposure to foreign currency exchange risk is minimal.

(ii) Interest rate risk

HHC obtains financing through other financial liabilities. HHC's policy is to obtain the financing with the most favourable interest rates in the market.

HHC constantly monitors its interest rate risk and does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes. At the end of the reporting period, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The carrying amounts of HHC's financial instruments that are exposed to interest rate risk are as follows:

Fixed denotity with a linear and homb	Financial Asset RM
Fixed deposit with a licensed bank 31 December 2011/2010/2009	_
31 December 2008	103,708
	Financial Liability RM
Bank borrowings	
31 December 2011	5,574,831
31 December 2010	4,444,756
31 December 2009	5,771,811
31 December 2008	6,195,047

HHC are exposed to interest rate risk arising from its short and long term debts obligations, and its fixed deposits. Fixed deposits interest rate is insignificant and any fluctuations in the rate would have no material impact on the results of HHC.

(iii) Interest rate risk sensitivity

An increase in market interest rates by 1% on financial assets and liabilities of HHC which have variable interest rates at the end of the reporting period would decrease the profit before tax by RM55,748 (2010: RM44,448). This analysis assumes that all other variables remain unchanged.

A decrease in market interest rates by 1% on financial assets and liabilities of HHC which have variable interest rates at the end of the reporting period would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)
 - 24. Financial Instruments (Cont'd)
 - (g) Fair values of financial assets and financial liabilities
 - (i) The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amount derived from such methods and valuation technique are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of amount estimated from the methods and techniques as mentioned in the preceding paragraph, the earrying amount of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of the Company are as follows:

 Cash and cash equivalents, trade and other receivables, intercompany balances, trade and other payables and short-term borrowings

The carrying amounts are considered to approximate the fair values as they are within the normal credit terms or they have short-term maturity period.

Long-term borrowings

Fair value which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Contingent liabilities

It is not practical to estimate the fair value of contingent liabilities as disclosed in Note 7.2.5.23 to the financial statements due to the uncertainties of timing, costs and eventual outcome.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)
 - 24. Financial Instruments (Cont'd)
 - (g) Fair values of financial assets and financial liabilities (Cont'd)
 - (ii) Fair value of financial instruments by categories that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value:

	Carrying amount	Fair value
	RM	RM
Financial liabilities		
Bank borrowings		
31 December 2011	526,013	443,549
31 December 2010	627,776	580,330
31 December 2009	725,224	586,918
31 December 2008	524,958	430,014
Hire purchase payables		
31 December 2011	4,036,551	3,632,031
31 December 2010	667,046	611,345
31 December 2009	244,901	236,581
31 December 2008	144,292	122,549
Contingent liabilities		
31 December 2011	6,789,748	(a)
31 December 2010	1,422,110	<u>@</u>
31 December 2009	1,504,818	@ @ @
31 December 2008		

It is not practical to estimate the fair values of contingent habilities reliably
 due to the uncertainties of timing, cost and eventual outcome.

25. Operating Leases

HHC has entered into non-cancellable operating lease agreements on rental of property, plant and equipment with remaining non-cancellable lease terms of within 1 year.

The future minimum rental payable under non-cancellable operating leases of property, plant and equipment contracted for as at the reporting date but not recognised as payables are as follows:

	<> As at 31 December>						
	2011	2010	2008				
	RM	RM	RM	RM			
Future minimum rental payable							
- Within one year - Between one and two	31,730	11,280	1,560	9,450			
years	3,900	-	780	5,400			
_	35,630	11,280	2,340	14,850			



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.2 HHC (Cont'd)
- 7.2.5 Notes to the Financial Statements (Cont'd)

26. Significant Events

During the FYE2010, the significant events took place for HHC:

- (a) On 9 March 2010, HHC has acquired additional 70% equity interest in Hiap Huat Chemicals (Labuan) Sdn. Bhd. ("HHC Labuan") comprising 7,000 ordinary share for a purchase consideration of RM7,000. Subsequently, HHC Labuan become a wholly own subsidiary company of the Company; and
- (b) On 18 August 2010, HHC has disposed its equity interest in subsidiary companies as follow:
 - (i) entire issued and paid-up share capital of 100,000 ordinary shares of RM1.00 each, which representing 100% equity interest in CNT Hardware and Petroleum Sdn. Bhd. for a total consideration of RM1,698,006;
 - (ii) entire issued and paid-up share capital of 100,000 ordinary shares of RM1.00 each, which representing 100% equity interest in Hiap Huat Services Sdn. Bhd. for a total consideration of RM95,538; and
 - (iii) entire issued and paid-up share capital of 10,000 ordinary shares of RM1.00 each, which representing 100% equity interest in Hiap Huat Chemicals (Labuan) Sdn. Bhd. for a total consideration of RM7,240.

27. Reclassification

Certain reclassification have been reclassified where necessary to conform with the current financial year's presentation as follows:

	As per audited financial		As
	statements	Reclassification	restated
	RM	RM	RM
2008			
Statement of Financial Position			
Non-Current Assets			
Investment in subsidiary			
companies	102,133	97,867	200,000
Current Assets			
Trade receivables	4,578,304	(664,697)	3,913,607
Other receivables			
	262,131	(9,969)	252,162
Amount owing by related		29 4 2 29	
companies	-	674,667	674,667
Short term deposits	1,703,835	(1,703,835)	-
Cash and bank balances	329,045	1,703,835	2,032,880
Current Liabilities			
Trade payables	3,418,675	(1,843,611)	1,575,064
Other payables	2,109,496	(700,000)	1,409,496
Amount owing to related	2,100,100	(,00,000)	1,100,100
companies	-	2,641,479	2,641,479
-			



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HHC (Cont'd)

7.2.5 Notes to the Financial Statements (Cont'd)

27. Reclassification (Cont'd)

Statement of Financial Position Non-Current Assets		As per audited financial statements RM	Reclassifieation RM	As restated RM
Income Administration expenses (441,830) (6,247,423) (6,689,253) Other operating expenses (6,236,596) 6,236,596 Finance costs (319,840) 10,827 (309,013)				
Administration expenses (441,830) (6,247,423) (6,689,253) Other operating expenses (6,236,596) 6,236,596 - Finance costs (319,840) 10,827 (309,013) 2009 Statement of Financial Position Non-Current Assets Property, plant and equipment 3,965,852 10,657,663 14,623,515 Investment in subsidiary companies 103,962 96,038 200,000 Prepaid lease payments 10,657,663 (10,657,663) - Current Assets Trade receivables 4,648,402 (995,595) 3,652,807 Other receivables 374,978 (21,587) 353,391 Amount owing by holding company - 1,800 1,800 Amount owing by related companies - 995,595 995,595 Tax recoverable - 19,787 19,787 Short term deposits 233,961 (233,961) - Cash and bank balances 26,985 233,961 260,946 Current Liabilities Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income Administration expenses (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488	-			
Other operating expenses (6,236,596) (319,840) 6,236,596 (309,013) 2009 Statement of Financial Position Non-Current Assets Property, plant and equipment Investment in subsidiary companies 103,962 96,038 200,000 Prepaid lease payments 10,657,663 (10,657,663) - Current Assets Trade receivables 4,648,402 (995,595) 3,652,807 Other receivables 374,978 (21,587) 353,391 Amount owing by holding company - 1,800 1,800 Amount owing by related companies - 995,595 995,595 Tax recoverable - 19,787 19,787 Short term deposits 233,961 (233,961) - Cash and bank balances 26,985 233,961 260,946 Current Liabilities Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722		(441 830)	(6 247 423)	(6 689 253)
Property				(0,000,235)
Statement of Financial Position Non-Current Assets Property, plant and equipment 3,965,852 10,657,663 14,623,515 Investment in subsidiary companies 103,962 96,038 200,000 Prepaid lease payments 10,657,663 (10,657,663) -				(309,013)
Non-Current Assets Property, plant and equipment Investment in subsidiary companies 3,965,852 10,657,663 14,623,515 Investment in subsidiary companies 103,962 96,038 200,000 Prepaid lease payments 10,657,663 (10,657,663) - Current Assets Trade receivables 4,648,402 (995,595) 3,652,807 Other receivables 374,978 (21,587) 353,391 Amount owing by holding company - 1,800 1,800 Amount owing by related companies - 995,595 995,595 Tax recoverable - 19,787 19,787 Short term deposits 233,961 (233,961) - Cash and bank balances 26,985 233,961 260,946 Current Liabilities Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income (508,526) (4,867,488) 4,867,488 <t< td=""><td>2009</td><td></td><td></td><td></td></t<>	2009			
Investment in subsidiary companies 103,962 96,038 200,000 Prepaid lease payments 10,657,663 (10,657,663) - **Current Assets** Trade receivables 4,648,402 (995,595) 3,652,807 Other receivables 374,978 (21,587) 353,391 Amount owing by holding company - 1,800 1,800 Amount owing by related companies - 995,595 995,595 Tax recoverable - 19,787 19,787 Short term deposits 233,961 (233,961) - Cash and bank balances 26,985 233,961 260,946 **Current Liabilities** Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 **Statement of Comprehensive Income** Administration expenses (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488				
Prepaid lease payments 10,657,663 (10,657,663) - Current Assets Trade receivables 4,648,402 (995,595) 3,652,807 Other receivables 374,978 (21,587) 353,391 Amount owing by holding company - 1,800 1,800 Amount owing by related companies - 995,595 995,595 Tax recoverable - 19,787 19,787 Short term deposits 233,961 (233,961) - Cash and bank balances 26,985 233,961 260,946 Current Liabilities Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income Administration expenses (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -		3,965,852	10,657,663	14,623,515
Current Assets 4,648,402 (995,595) 3,652,807 Other receivables 374,978 (21,587) 353,391 Amount owing by holding company - 1,800 1,800 Amount owing by related companies - 995,595 995,595 Tax recoverable - 19,787 19,787 Short term deposits 233,961 (233,961) - Cash and bank balances 26,985 233,961 260,946 Current Liabilities Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income Administration expenses (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -	companies	103,962	96,038	200,000
Trade receivables 4,648,402 (995,595) 3,652,807 Other receivables 374,978 (21,587) 353,391 Amount owing by holding company - 1,800 1,800 Amount owing by related companies - 995,595 995,595 Tax recoverable - 19,787 19,787 Short term deposits 233,961 (233,961) - Cash and bank balances 26,985 233,961 260,946 Current Liabilities Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income - 3,451,722 3,451,722 Administration expenses (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -	Prepaid lease payments	10,657,663	(10,657,663)	-
Other receivables 374,978 (21,587) 353,391 Amount owing by holding company - 1,800 1,800 Amount owing by related companies - 995,595 995,595 Tax recoverable - 19,787 19,787 Short term deposits 233,961 (233,961) - Cash and bank balances 26,985 233,961 260,946 Current Liabilities Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income - 3,451,722 3,451,722 Administration expenses (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -				
Amount owing by holding company - 1,800 1,800 Amount owing by related companies - 995,595 995,595 Tax recoverable - 19,787 19,787 Short term deposits 233,961 (233,961) - Cash and bank balances 26,985 233,961 260,946 Current Liabilities Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income Administration expenses (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -			` , ,	
company - 1,800 1,800 Amount owing by related companies - 995,595 995,595 Tax recoverable - 19,787 19,787 Short term deposits 233,961 (233,961) - Cash and bank balances 26,985 233,961 260,946 Current Liabilities Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income - 3,451,722 3,451,722 Administration expenses (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -		374,978	(21,587)	353,391
Amount owing by related companies - 995,595 995,595			1 000	1 000
companies - 995,595 995,595 Tax recoverable - 19,787 19,787 Short term deposits 233,961 (233,961) - Cash and bank balances 26,985 233,961 260,946 Current Liabilities Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income - 3,451,722 3,451,722 Administration expenses (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -		-	1,800	1,800
Tax recoverable - 19,787 19,787 Short term deposits 233,961 (233,961) Cash and bank balances 26,985 233,961 260,946 Current Liabilities Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income Administration expenses (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -			005 505	005 505
Short term deposits 233,961 (233,961) - Cash and bank balances 26,985 233,961 260,946 Current Liabilities Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -		<u>-</u>		
Cash and bank balances 26,985 233,961 260,946 Current Liabilities Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income 4,867,488 (5,385,386) (5,385,386) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -		233.961		12,707
Trade payables 4,206,948 (3,459,922) 747,026 Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income 4,876,860 (5,385,386) Other operating expenses (4,867,488) 4,867,488 -		,		260,946
Other payables 1,384,254 104,238 1,488,492 Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income Administration expenses (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -	Current Liabilities			
Amount owing to related companies - 3,451,722 3,451,722 Statement of Comprehensive Income Administration expenses (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -		4,206,948	(3,459,922)	747,026
companies - 3,451,722 3,451,722 Statement of Comprehensive Income Administration expenses (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -		1,384,254	104,238	1,488,492
Statement of Comprehensive Income (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -				
Income (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488 -	companies		3,451,722	3,451,722
Administration expenses (508,526) (4,876,860) (5,385,386) Other operating expenses (4,867,488) 4,867,488				
Other operating expenses (4,867,488) 4,867,488 -		(508 526)	(4 876 860)	(5 385 386)
				(5,565,566)
(200,020) 2,272 (200,020)	Finance costs	(360,000)	9,372	(350,628)



7. HISTORICAL FINANCIAL STATEMENTS (CON'D)

7.3 XFH

7.3.1 Statement of Comprehensive Income

The following statement of comprehensive income is based on the audited financial statements of XFH for the FYE2008, FYE2009 FYE2010 and FYE2011.

		< FYE 31 December			>
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
Revenue	7.3.5.1	9,952,621	10,780,788	8,610,217	7,144,477
Cost of sales		(6,731,045)	(8,130,680)	(7,069,080)	(5,778,074)
Gross profit	-	3,221,576	2,650,108	1,541,137	1,366,403
Other operating income		75,041	12,408	10,134	40,768
Administration expenses		(1,418,169)	(1,181,150)	(1,253,145)	(1,047,635)
Finance costs	7.3.5.2	(9,965)	(12,411)	(13,571)	(17,425)
Profit before taxation	7.3.5.3	1,868,483	1,468,955	284,555	342,111
Taxation	7.3.5.4	(460,856)	(372,442)	(105,856)	(69,989)
Net profit for the financial year, representing total comprehensive income for the financial year	-	1,407,627	1,096,513	178,699	272,122



7. HISTORICAL FINANCIAL STATEMENTS (CON'D)

7.3 XFH (Cont'd)

7.3.2 Statement of Financial Position

The following statement of financial position is based on the audited financial statements of XFH as at 31 December 2008, 2009, 2010 and 2011.

		<	As at 31 D	ecember	>
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
Non-Current Asset					
Property, plant and equipment	7.3.5.5	36,434	135,028	181,614	149,682
Current Assets					
Inventories Trade receivables Other receivables Amount owing by related companies Fixed deposits with	7.3.5.6 7.3.5.7 7.3.5.8 7.3.5.9	262,561 2,119,138 16,450 735,724	313,730 2,296,662 3,695 758,598	226,995 1,825,419 2,224 300,000	265,232 1,601,309 18,714 1,110
a licensed bank Cash and bank balances	7.3.5.10	78,671 797,541 4,010,085	76,507 386,534 3,835,726	74,224 535,004 2,963,866	147,868 <u>482,198</u> 2,516,431
Total Assets	-	4,046,519	3,970,754	3,145,480	2,666,113
Equity					
Share capital Retained profits Total Equity	7.4.5.11	240,004 2,160,004 2,400,008	240,004 2,322,377 2,562,381	240,004 1,725,864 1,965,868	240,004 1,547,165 1,787,169
Non-Current Liabilities					
Hire purchase payables Term loan Deferred tax	7.3.5.12 7.3.5.13	- 75,449	23,740 137,381	30,022 194,065	44,653
liability	7.3.5.14	9,100 84,549	12,000 173,121	8,0 <u>00</u> 232,0 8 7	12,000 56,653



7. HISTORICAL FINANCIAL STATEMENTS (CON'D)

7.3 XFH (Cont'd)

7.3.2 Statement of Financial Position (Cont'd)

		<>				
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>	
Current Liabilities						
Trade payables	7.3.5.15	32,274	82,402	93,250	98,244	
Other payables	7.3.5.16	153,807	131,934	42,632	18,633	
Amount owing to						
holding company	7.3.5.17	890,463	-	-	-	
Amount owing to						
related companies	7.3.5.9	10,440	650,998	693,585	642,432	
Hire purchase						
payables	7.3.5.12	-	7,365	14,621	26,754	
Term loan	7.3.5.13	61,932	59,507	60,000	-	
Amount owing to a						
Director	7.3.5.18	-	-	-	10,005	
Tax payables		413,046	303,046	43,437	26,223	
	_	1,561,962	1,235,252	947,525	822,291	
Total Liabilities	_	1,646,511	1,408,373	1,179,612	878,944	
Total Equity and	_					
Liabilities	_	4,046,519	3,970,754	3,145,480	2,666,113	



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.3 XFH (Cont'd)

7.3.3 Statement of Changes in Equity

The following statement of changes in equity is based on the audited group financial statements of XFH as at 31 December 2008, 2009 and 2010.

	Note	Share Capital RM	Retained Profits RM	Total RM
At 1 January 2008		240,004	1,275,043	1,515,047
Net profit for the financial year, representing total comprehensive income for the financial year		-	272,122	272,122
At 31 December 2008	-	240,004	1,547,165	1,787,169
At 1 January 2009		240,004	1,547,165	1,787,169
Net profit for the financial year, representing total comprehensive income for the financial year		-	178,699	178,699
At 31 December 2009	-	240,004	1,725,864	1,965,868
At 1 January 2010		240,004	1,725,864	1,965,868
Net profit for the financial year, representing total comprehensive income for the financial year		-	1,096,513	1,096,513
Dividends	7.3.5.19	-	(500,000)	(500,000)
At 31 December 2010	- -	240,004	2,322,377	2,562,381
At 1 January 2011		240,004	2,322,377	2,562,381
Net profit for the financial year, representing total comprehensive income for the financial year		-	1,407,627	1,407,627
Dividends	7.3.5.19	-	(1,570,000)	(1,570,000)
At 31 December 2011	- -	240,004	2,160,004	2,400,008



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.3 XFH (Cont'd)

7.3.4 Statement of Cash Flows

The following statement of cash flows is based on the audited financial statements of XFH for the FYE2008, FYE2009, FYE2010 and FYE2011.

	<> FYE 31 December>				
		-	<restated></restated>	<restated></restated>	
	2011	2010	2009	2008	
	RM	RM	RM	RM	
	•				
Cash Flows From Operating Activities					
Profit before taxation	1,868,483	1,468,955	284,555	342,111	
Adjustments for:					
Depreciation of property,					
plant and equipment	29,223	52,680	39,562	41,900	
Bad debts written off	- -	· -	246,506	_	
Gain on disposal of			·		
property, plant and					
equipment	(61,499)	-	-	(32,830)	
Property, plant and	, , ,			, ,	
equipment written off	26,300	-	-	_	
Interest expenses	9,965	12,411	13,571	17,425	
Interest income	(13,542)	(12,408)	(10,129)	(7,741)	
Operating profit before	, ,				
working capital changes	1,858,930	1,521,638	574,065	360,865	
Decrease/(Increase) in					
working capital					
Inventorics	51,169	(86,735)	38,237	(31,834)	
Trade receivables	177,524	(471,243)	(470,616)	386,130	
Other receivables	(12,755)	(1,471)	16,490	61,848	
Trade payables	(50,128)	(10,848)	(4,994)	(135,301)	
Other payables	21,873	89,302	23,999	(3,034)	
Amount owing to holding					
company	890,463	-	-	-	
Amount owing by/to related					
companies	(617,684)	(501,186)	(247,737)	171,934	
Amount owing by/to a					
Director		-	(10,005)	6,486	
	460,462	(982,181)	(654,626)	456,229	
Cash generated/(used in) from	 -	_			
operation	2,319,392	539,457	(80,561)	817,094	
Interest paid	(9,965)	(12,411)	(13,571)	(17,425)	
Tax paid	(353,756)	(108,833)	(92,642)	(158,654)	
Interest received	13,542	12,408	10,129	7,741	
,	(350,179)	(108,836)	(96,084)	(168,338)	
Net cash from/(used in)				· · · · · · · · · · · · · · · · · · ·	
operating activities	1,969,213	430,621	(176,645)	648,756	
					



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.3 XFH (Cont'd)

7.3.4 Statement of Cash Flows (Cont'd)

	<	FYE 31 D	ecember	>
			<restated></restated>	<restated></restated>
	2011	2010	2009	2008
	RM	RM	RM	RM
Cash Flows From Investing				
Activities				
Purchase of property, plant	(2,430)	(6,094)	(71,494)	(18,944)
and equipment Proceeds from disposal of	(2,430)	(0,094)	(/1,454)	(10,544)
property, plant and				
equipment	107,000	_	_	103,000
Net cash from/(used in)	107,000			105,000
investing activities	104,570	(6,094)	(71,494)	84,056
mvesting activities	104,570	(0,054)	(/1,727)	
Cash Flows From Financing				
Activities				
Drawdown of bank				
borrowing	-	•	300,000	-
Repayment of bank				
borrowing	(59,507)	(57,176)	(45,935)	(68,592)
Repayment of hire purchase	(-	(* * * * * * * * * * * * * * * * * * *	(= = = =)	
payables	(31,105)	(13,538)	(26,764)	(61,334)
Increase in fixed deposit	(0.1.64)	(0.000)	(1.000)	(0.005)
pledged	(2,164)	(2,283)	(1,999)	(2,225)
Net changes in banker				(200,000)
acceptance	(1.570.000)	(500,000)	-	(390,000)
Dividend paid	(1,570,000)	(500,000)		
Net cash (used in)/from financing activities	(1.662.776)	(572.007)	225,302	(522,151)
imancing activities	(1,662,776)	(572,997)	223,302	(322,131)
Net increase/(decrease) in				
cash and cash equivalents	411,007	(148,470)	(22,837)	210,661
Cash and cash equivalents at				
beginning of the financial				
year	386,534	535,004	557,841	347,180
Cash and cash equivalents at				
end of the financial year	797,541	386,534	535,004	557,841
Cook and each againstants at				
Cash and cash equivalents at end of the financial year				
comprises:				
Cash and bank balances	797,541	386,534	535,004	482,198
Fixed deposits with a licensed	191,541	300,334	555,004	402,190
bank	78,671	76,507	74,224	147,868
our contract of the contract o	876,212	463,041	609,228	630,066
Less: Fixed deposit pledged to	070,212	1,00,00	009,220	030,000
a licensed bank	(78,671)	(76,507)	(74,224)	(72,225)
a noonsou bank	797,541	386,534	535,004	557,841
	171,571	200,227	333,007	337,071



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.3 XFH (Cont'd)

7.3.5 Notes to the Financial Statements

1. Revenue

This represents invoiced value of goods sold less returns and discounts, if any.

2. Finance Costs

	<> FYE 31 December>				
	2011	2010	2009	2008	
	RM	RM	RM	RM	
Interest expenses on:					
Bankers acceptance					
interest	1,124	-	_	4,948	
Hire purchase interest	2,048	3,289	4,256	7,530	
Term loan interest	6,793	9,122	9,315	4,947	
	9,965	12,411	13,571	17,425	

3. Profit before Taxation

(a) Profit before taxation is derived after charging/(crediting):

	<	FYE 31 D	December	>
	2011 RM	2010 RM	2009 RM	2008 RM
Auditors'				
remuneration				
 Current year 	13,000	9,000	9,250	8,050
 Over provision in 				
prior year	-	(300)	(200)	÷
Bad debts written				
off	-	-	246,506	-
Depreciation of				
property, plant				
and equipment	29,223	52,680	39,562	41,900
Directors'				
remuneration				
- Salary and other				
emolument	195,500	145,020	140,000	140,000
Property, plant and				
equipment written	06.200			
off	26,300	0.415	. 0.50	
Rental of hostel	4,200	8,415	6,950	5,100
Rental of store	-	-	-	4,600
Rental of office	120.000	120.000		
and warehouse	120,000	120,000	(10.120)	(7.741)
Interest received	(13,542)	(12,408)	(10,129)	(7,741)
Gain on disposal of				
property, plant and	(61,400)			(30,000)
equipment	(61,499)			(32,830)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.3 XFH (Cont'd)

7.3.5 Notes to the Financial Statements (Cont'd)

3. Profit before Taxation (Cont'd)

(b) Staff Costs

	<>				
	2011	2010	2009	2008	
	RM	RM	RM	RM	
Staff costs (excluding Directors)	514,471	475,702	342,558	478,089	

Included in the total staff costs above are contributions made to the Employee Provident Fund under a defined contribution plan for XFH amounting to RM47,219 (2010: RM35,834; 2009: RM24,973; 2008: RM29,323).

(c) Key Management Personnel Compensation

The remuneration of key management personnel is same with the Directors' remuneration as disclosed in above. XFH have no other members of key management personnel apart from the Board of Directors.

4. Taxation

	<> FYE 31 December>				
	2011	2010	2009	2008	
	RM	RM	RM	RM	
Tax expense for the financial year					
Current year provision	480,000	370,000	110,000	68,000	
Over provision in					
prior years	(16,244)	(1,558)	(144)	(511)	
	463,756	368,442	109,856	67,489	
Deferred tax:					
Relating to origination and reversal of					
temporary differences	(4,000)	(700)	(4,000)	2,500	
Under provision in					
prior years	1,100	4,700	-	-	
	(2,900)	4,000	(4,000)	2,500	
•	460,856	372,442	105,856	69,989	
•					

Current income tax is calculated at the statutory tax rate of 25% (2010: 25%;2009: 20% on the first RM500,000 and 25% on balance; 2008: 20% on the first RM500,000 and 26% on balance) of the estimated assessable profit for the financial year.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.3 XFH (Cont'd)

7.3.5 Notes to the Financial Statements (Cont'd)

4. Taxation (Cont'd)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of XFH is as follows:

	<> FYE 31 December>				
	2011 RM	2010 RM	2009 RM	2008 RM	
Profit before taxation	1,868,483	1,468,955	284,555	342,111	
Taxation at statutory tax rate of 25% (2010/2009: 25%; 2008: 26%)	467,121	367,239	71,139	88,949	
Tax incentive obtained from differential tax	107,122	301,237		·	
rate of 20% Expenses not deductible	-	-	(25,000)	(23,578)	
for tax purposes Income not subject to	8,879	2,061	59,861	11,695	
tax Over provision of	-	-	-	(6,566)	
taxation in prior year Under provision of deferred tax in prior	(16,244)	(1,558)	(144)	(511)	
year	1,100	4,700			
Tax expense for the financial year	460,856	372,442	105,856	69,989	

5. Property, Plant and Equipment

	Office cquipment RM	Motor vehicles RM	Tools and machinery RM	Total RM
2011				
Cost				
At 1 January 2011	29,880	291,602	61,429	382,911
Additions	480	-	1,950	2,430
Disposal	-	(141,996)	_	(141,996)
Written off	(20,328)		(53,430)	(73,758)
At 31 December 2011	10,032	149,606	9,949	169,587
Accumulated depreciation				
At 1 January 2011	19,206	197,198	31,479	247,883
Charge for the financial year	1,992	23,722	3,509	29,223
Disposal	-	(96,495)		(96,495)
Written off	(16,212)	-	(31,246)	(47,458)
At 31 December 2011	4,986	124,425	3,742	133,153
Carrying amount				
At 31 December 2011	5,046	25,181	6,207	36,434



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.3 XFH (Cont'd)
- 7.3.5 Notes to the Financial Statements (Cont'd)
 - 5. Property, Plant and Equipment (Cont'd)

	Office equipment	Motor vehicles	Tools and machinery	Total
	RM	RM	RM	RM
2010				
Cost At 1 January 2010	27,271	291,602	57,944	376,817
Additions	2,609	271,002	3,485	6,094
At 31 December 2010	29,880	291,602	61,429	382,911
Assumulated depresiation				
Accumulated depreciation At 1 January 2010	16,444	153,278	25,481	195,203
Charge for the financial year	2,762	43,920	5,998	52,680
At 31 December 2010	19,206	197,198	31,479	247,883
			,	
Carrying amount	10.674	04.404	20.050	125 029
At 31 December 2010	10,674	94,404	29,950	135,028
2009				
Cost				
At 1 January 2009	26,172	221,602	57,549	305,323
Additions	1,099	70,000	395	71,494
At 31 December 2009	27,271	291,602	57,944	376,817
Accumulated depreciation				
At 1 January 2009	13,748	122,190	19,703	155,641
Charge for the financial year	2,696	31,088	5,778	39,562
At 31 December 2009	16,444	153,278	25,481	195,203
Carrying amount				
At 31 December 2009	10,827	138,324	32,463	181,614
2008				
Cost				
At 1 January 2008	26,172	325,082	57,549	408,803
Addition		71,944	-	71,944
Disposal	_	(175,424)	-	(175,424)
At 31 December 2008	26,172	221,602	57,549	305,323
Accumulated depreciation				
At 1 January 2008	11,131	193,916	13,948	218,995
Charge for the financial year	2,617	33,528	5,755	41,900
Disposals	-	(105,254)	_	(105,254)
At 31 December 2008	13,748	122,190	19,703	155,641
Carrying amount				
At 31 December 2008	12,424	99,412	37,846	149,682

⁽a) Included in the property, plant and equipment of XFH are motor vehicles acquired under hire purchase with carrying amount of NiI (2010: RM39,569; 2009: RM69,490; 2008: RM99,411).



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.3 XFH (Cont'd)
- 7.3.5 Notes to the Financial Statements (Cont'd)

5. Property, Plant and Equipment (Cont'd)

- (b) A motor vehicle with carrying amount of Nil (2010: RM39,569; 2009: RM53,958; 2008: RM68,346) is held in trust under the name of a Director of the XFH. Subsequent to FYE2010, the said motor vehicle was registered under the Company.
- (c) The aggregate additional cost for the property, plant and equipment of XFH under hire purchase and cash payment are as follows:

	<> FYE 31 December>				
	2011	2010	2009	2008	
	RM	RM	RM	RM	
Aggregate costs Less: Hire purchase	2,430	6,094	71,494	71,944	
financing	-	-	-	(53,000)	
Cash payment	2,430	6,094	71,494	18,944	

6. Inventories

	<	As at 31 D	ecember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
At cost				
Raw materials	62,725	25,932	-	-
Packing materials	5,619	17,657	11,265	32,035
Finished goods	194,217	270,141	215,730	233,197
	262,561	313,730	226,995	265,232

7. Trade Receivables

XFH's normal trade credit terms range from 60 to 90 days. Other credit terms are assessed and approved on a case by case basis.

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.3 XFH (Cont'd)

7.3.5 Notes to the Financial Statements (Cont'd)

7. Trade Receivables (Cont'd)

Analysis of the trade receivables ageing are as follows:

	<>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Neither past due nor				
impair	1,579,884	2,061,763	1,607,608	745,999
Past due less than 30				
days not impaired	346,488	170,629	154,345	310,467
Past due for more than				
31 - 60 days not				
impaired	153,910	23,412	23,770	238,705
Past due for more than				
60 days not impaired	38,856	40,858	39,696	306,138
	2,119,138	2,296,662	1,825,419	1,601,309

XFH has not recognised any impairment loss on certain receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered receivable.

8. Other Receivables

	<	<> As at 31 December>			
	2011	2010	2009	2008	
	RM	RM	RM	RM	
Other receivables	9,500	1,745	774	17,814	
Deposits	6,950	1,950	1,450	900	
	16,450	3,695	2,224	18,714	

Other receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

XFH has not recognised any impairment loss on certain receivables that are past due at the end of financial year, as there has not been significant change in eredit quality and these amounts are still considered receivable.

9. Amount Owing by/to Related Companies

- (a) Amount owing by related companies represent unsecured, interest free advances and repayable on demand.
- (b) Amount owing to related companies represent unsecured, trade transactions and repayable on demand.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.3 XFH (Cont'd)
- 7.3.5 Notes to the Financial Statements (Cont'd)

10. Fixed Deposits with a Licensed Bank

Included in the above is an amount of RM78,671 (2010: RM76,507; 2009: RM74,224; 2008: RM72,225) pledged to a licensed bank as securities for credit facilities granted to XFH as disclosed in Note 7.3.5.13 to the financial statements.

The interest rate of the fixed deposits during the financial year is 2.85% (2010: 2.00%; 2009: 3.70%; 2008: 3.00%) per annum and the maturities of the deposits are 30 days (2010: 30 days; 2009: 180 days; 2008: 180 days).

11. Share Capital

	<	As at 31 D	ecember	>
	2011 RM	2010 RM	2009 RM	2008 RM
Ordinary shares of RM1.00 each:				
Authorised	500,000	500,000	500,000	500,000
Issued and fully paid up	240,004	240,004	240,004	240,004
12. Hire Purchase Payables				
	<	As at 31 D	ecember	>
	2011 RM	2010 RM	2009 RM	2008 RM
(a) Minimum hire purchase payments				
Within one year Between one and	-	12,120	16,827	31,020
five years		22,172	34,292	51,120
Less: Future finance	•	34,292	51,119	82,140
charges Present value of hire		(3,187)	(6,476)	(10,733)
purchase liabilities	<u>-</u>	31,105	44,643	71,407
(b) Present value of hire purchase liabilities				
Within one year Between one and	-	7,365	14,621	26,754
five years		23,740	30,022	44,653
		31,105	44,643	71,407



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.3 XFH (Cont'd)
- 7.3.5 Notes to the Financial Statements (Cont'd)

12. Hire Purchase Payables (Cont'd)

	<>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Analyse as: Repayable within twelve months Repayable after twelve months	- -	7,365 23,740 31,105	14,621 30,022 44,643	26,754 44,653 71,407

The hire purchase liabilities interest is charged at rates ranging from 2.85% to 4.25% per annum.

13. Term Loan

	<> As at 31 December>				
	2011	2010	2009	2008	
	RM	RM	RM	RM	
Secured					
Term loan	137,381	196,888	254,065		
Analysed as: Repayable within twelve months Repayable after twelve	61,932	59,507	60,000	-	
months	75,449	137,381	194,065		
_	137,381	196,888	254,065	-	

The above credit facilities obtained from the licensed bank are secured by the following:

- (a) 80% guarantee coverage of the RM300,000 facility form the Credit Guarantee Corporation (M) Berhad;
- (b) pledged of fixed deposits as disclosed in the Note 7.3.5.10 to the financial statements; and
- (c) jointly and severally guaranteed by two of the Directors of XFH.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.3 XFH (Cont'd)
- 7.3.5 Notes to the Financial Statements (Cont'd)

13. Term Loan (Cont'd)

Maturity of term loan is as follows:

	<> As at 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Within one year Between one and two	61,932	59,507	60,000	-
years Between two and five	64,454	61,931	60,000	-
years	10,995	75,450	134,065	-
	137,381	196,888	254,065	

The term loan is repayable over 60 equal monthly installment of RM5,525 and earries interest at fixed rate of 4% per annum.

14. Deferred Tax Liability

	<> As at 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
At 1 January Relating to origination and reversal of	12,000	8,000	12,000	9,500
temporary differences	(4,000)	(700)	(4,000)	2,500
Under provision in prior year	1,100	4,700		12.000
At 31 December	9,100	12,000	8,000	12,000

The components and movements of deferred tax liability of XFH are as follows:

	Accelerated capital allowance	Total
	RM	RM
At 1 January 2011	12,000	12,000
Relating to origination and reversal of temporary		
differences	(4,000)	(4,000)
Under provision in prior years	1,100	1,100
At 31 December 2011	9,100	9,100
At 1 January 2010	8,000	8,000
Relating to origination and reversal of temporary		
differences	(700)	(700)
	4,700	4,700
At 31 December 2010	12,000	12,000



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.3 XFH (Cont'd)

7.3.5 Notes to the Financial Statements (Cont'd)

14. Deferred Tax Liability (Cont'd)

	Accelerated capital	
	allowance RM	Total RM
At 1 January 2009 Relating to origination and reversal of temporary	12,000	12,000
differences	(4,000)	(4,000)
At 31 December 2009	8,000	8,000
At 1 January 2008 Relating to origination and reversal of temporary	9,500	9,500
differences	2,500	2,500
At 31 December 2008	12,000	12,000

15. Trade Payables

XFH's normal trade credit terms range from 30 to 60 days (2010/2009/2008: 30 to 90 days). Other credit terms are assessed and approved on a case to case basis.

16. Other Payables

	<> As at 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Other payables	81,685	16,218	11,620	6,610
Accruals	72,122	115,716	31,012	12,023
	153,807	131,934	42,632	18,633

17. Amount Owing to Holding Company

- (a) The holding company is Hiap Huat Holdings Berhad, a company incorporated in Malaysia.
- (b) This represents unsecured, interest free advances and repayable on demand.

18. Amount Owing to a Director

This represents unsecured, interest free advances and repayment on demand.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.3 XFH (Cont'd)
- 7.3.5 Notes to the Financial Statements (Cont'd)
 - 19. Dividend

	FYE2011 RM	FYE2010 RM
An interim single tier tax exempt dividend of 654.16% on 240,004 ordinary shares of RM1.00 each in respect of financial year ended 31 December 2011 was paid on 30 November 2011	1,570,000	-
An interim single tier tax exempt dividend of 208.33% on 240,004 ordinary shares of RM1.00 each in respect of financial year ended 31 December 2010 was paid on 22		500,000
June 2010		500,000
	1,570,000	500,000

20. Related Party Disclosures

(a) In addition to the transactions detailed elsewhere in the financial statements, XFH had the following transactions with related parties during the financial year.

	<> FYE 31 December>					
	2011	2010	2009	2008		
	RM	RM	RM	RM		
Sale of goods	-	2,340	37,672	_		
Purchases of						
goods Rental of office	5,926,875	7,471,898	5,039,500	3,374,650		
and warehouse	120,000	120,000				

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

(b) Information regarding outstanding balances arising from related party transactions is disclosed in Notes 7.3.5.9 and 7.3.5.17 to the financial statements.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.3 XFH (Cont'd)
- 7.3.5 Notes to the Financial Statements (Cont'd)

21. Financial Instruments

Certain comparative figures have not been presented for 31 December 2009 and 2008 by virtue of the exception given in paragraph 44AA of FRS 7, which is effective for annual periods beginning on and after 1 January 2010.

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 5 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loan and rcceivables RM	Financial liabilities at amortised cost RM	Total RM
2011			
Financial Assets			
Trade receivables	2,119,138	-	2,119,138
Other receivables	16,450	-	16,450
Amount owing by related companies	725 724		725 724
•	735,724	-	735,724
Fixed deposit with a licensed bank	78,671		78,671
Cash and bank balances	797,541	-	•
Total financial assets			797,541
l otal linancial assets	3,747,524	-	3,747,524
Financial Liabilities			
Trade payables	-	32,274	32,274
Other payables	-	153,807	153,807
Amount owing to holding company		890,463	890,463
Amount owing to related	-	690,403	890,403
companies		10,440	10,440
Term loan	-	137,381	137,381
Total financial liabilities		1,224,365	`
Total Illiancial Habilities		1,224,303	1,224,365
2010			
Financial Assets			
Trade receivables	2,296,662	-	2,296,662
Other receivables	3,695	-	3,695
Amount owing by related			
companies	758,598	-	758,598
Fixed deposit with a licensed			
bank	76,507	-	76,507
Cash and bank balances	386,534		386,534
Total financial assets	3,521,996	-	3,521,996



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.3 XFH (Cont'd)

7.3.5 Notes to the Financial Statements (Cont'd)

21. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Loan and receivables RM	Financial liabilities at amortised cost RM	Total RM
2010			
Financial Liabilities		00.400	00.400
Trade payables	-	82,402	82,402
Other payables	-	131,934	131,934
Amount owing to related		(50,000	(50.00 0
companies	-	650,998	650,998
Hire purchase payables	-	31,105	31,105
Term loan		196,888	196,888
Total financial liabilities		1,093,327	1,093,327
2009			
Financial Assets			
Trade receivables	1,825,419	_	1,825,419
Other receivables	2,224	_	2,224
Amount owing by related	2,22		2,22 .
company	300,000	_	300,000
Fixed deposit with a licensed	233,000		200,000
bank	74,224	_	74,224
Cash and bank balances	535,004	_	535,004
Total financial assets	2,736,871	-	2,736,871
Financial Liabilities			
Trade payables	-	93,250	93,250
Other payables	-	42,632	42,632
Amount owing to related		444	
companies	-	693,585	693,585
Hire purchase payables	-	44,643	44,643
Term loan		254,065	254,065
Total financial liabilities		1,128,175	1,128,175
2008			
Financial Assets			
Trade receivables	1,601,309		1,601,309
Other receivables	18,714	-	18,714
Amount owing by related	10,/14	-	10,714
company	1,110	_	1,110
Fixed deposit with a licensed	1,110	-	1,110
bank	147,868	_	147,868
Cash and bank balances	482,198		482,198
Total financial assets	2,251,199		2,251,199
1 Court Illianional apports	2,231,179		2,231,177



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.3 XFH (Cont'd)

7.3.5 Notes to the Financial Statements (Cont'd)

21. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Loan and receivables RM	Financial liabilities at amortised cost RM	Total RM
2008			
Financial Liabilities			
Trade payables	-	98,244	98,244
Other payables	-	18,633	18,633
Amount owing to related			
companies	-	642,432	642,432
Amount owing to a Director	-	10,005	10,005
Hire purchase payables	-	71,407	71,407
Total financial liabilities	-	840,721	840,721

(b) Capital risk management objectives and policies

XFH's management manages its capital to ensure that XFH is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of XFH consists of issued capital, cash and cash equivalents and bank borrowings.

(c) Financial risk management objectives and policies

XFH's financial risk management policy is to ensure that adequate financial resources are available for the development of XFH's operations whilst managing its financial risks, including credit risk, market risks and liquidity risk. XFH operates within clearly defined guidelines that are approved by the Board and XFH's policy is not to engage in speculative transactions.

(d) Credit risk

Fixed deposits with licensed banks, cash and bank balanees are placed with a credit worthy financial institutions.

Credit risk arises mainly from the inability of its customers to make payments when due. XFH has adopted a policy of only dealing with creditworthy counterparties. Receivables are monitored on an ongoing basis via XFH's management reporting procedures and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting represents the XFH's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.3 XFH (Cont'd)

7.3.5 Notes to the Financial Statements (Cont'd)

21. Financial Instruments (Cout'd)

(e) Liquidity risk

Liquidity risk is the risk that XFH will encounter difficulty in meeting financial obligations due to shortage of fund. XFH's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. XFH has no significant liquidity risk as it maintains a level of cash and cash equivalents that is sufficient for working capital purpose.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which XFH can be required to pay.

	On demand or			
	within 1 year	1 - 2 years	2 - 5 years	Total
	RM	RM	RM	RM
2011				
Financial Liabilities				
Trade payables	32,274	-	-	32,274
Other payables	153,807	_	-	153,807
Amount owing to holding			-	
eompany	890,463	-		890,463
Amount owing to related			-	
companies	10,440	-		10,440
Term loan	61,932	64,454	10,995	137,381
Total financial liabilities	1,148,916	64,454	10,995	1,224,365
2010				
Financial Liabilities				
Trade payables	82,402	_	_	82,402
Other payables	131,934	_	_	131,934
Amount owing to related	131,731			131,731
companies	650,998	_	_	650,998
Hire purchase payables	7,365	9,368	14,372	31,105
Term loan	59,507	61,931	75,450	196,888
Total financial liabilities	932,206	71,299	89,822	1,093,327
4000				
2009				
Financial Liabilities	00.050			00.000
Trade payables	93,250	-	-	93,250
Other payables	42,632	-	-	42,632
Amount owing to related				
companies	693,585	_	-	693,585
Hire purchase payables	14,621	10,600	19,422	44,643
Term loan	60,000	60,000	134,065	254,065
Total financial liabilities	904,088	70,600	153,487	1,128,175



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.3 XFH (Cont'd)
- 7.3.5 Notes to the Financial Statements (Cont'd)

21. Financial Instruments (Cont'd)

(e) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years	Total RM
2008				
Financial liabilities				
Trade payables	98,244	-	-	98,244
Other payables	18,633	-	-	18,633
Amount owing to related				
companies	642,432	-	-	642,432
Amount owing to a Director	10,005	-	-	10,005
Hire purchase payables	26,754	14,621	30,032	71,407
Total financial liabilities	796,068	14,621	30,032	840,721

- (f) Market risks
 - (i) Foreign currency exchange risk

XFH does not have foreign currency denominated financial assets and financial liabilities at the end of the reporting period.

(ii) Interest rate risk

XFH do not expose to interest rate risk at the end of the reporting date.

- (g) Fair values of financial assets and financial liabilities
 - (i) The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amount derived from such methods and valuation technique are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of amount estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of the Company are as follows:

 Cash and cash equivalents, trade and other receivables, intercompany balances, trade and other payables and short-term borrowings

The carrying amounts are considered to approximate the fair values as they are within the normal credit terms or they have short-term maturity period.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.3 XFH (Cont'd)
- 7.3.5 Notes to the Financial Statements (Cont'd)
 - 21. Financial Instruments (Cont'd)
 - (g) Fair values of financial assets and financial liabilities (Cont'd)
 - Long-term borrowings

Fair value which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(ii) Fair value of financial instruments by categories that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value:

	Carrying amount RM	Fair value RM
Financial liability Hire purchase payables		
31 December 2011	_	_
31 December 2010	23,740	17,393
31 December 2009	30,022	23,874
31 December 2008	44,653	40,588

22. Operating Leases

XFH has entered into non-cancellable operating lease agreements on rental of property, plant and equipment with remaining non-cancellable lease terms of within 1 year.

The future minimum rental payable under non-cancellable operating leases of property, plant and equipment contracted for as at the reporting date but not recognised as payables are as follows:

	<>				
	2011	2010	2009	2008	
		RM	RM	RM	
Future minimum rental payable					
- Within one year	3,500	3,500			



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.3 XFH (Cont'd)
- 7.3.5 Notes to the Financial Statements (Cont'd)

23. Reclassification

Certain reclassification have been reclassified where necessary to conform with the current financial year's presentation as follows:

	As per audited financial statements RM	Reclassification RM	As restated RM
2008			
Statement of Financial Position			
Current assets			
Other receivables	19,824	(1,110)	18,714
Amount owing by related companies	-	1,110	1,110
Short term deposits	904	(904)	-
Cash and bank balances	481,294	904	482,198
Current liabilities			
Trade payables	740,676	(642,432)	98,244
Amount owing to related companies	-	642,432	642,432
Statement of Comprehensive Income			
Administration expenses	(152,182)	(895,453)	(1,047,635)
Selling and distribution expenses	(201,781)	201,781	-
Other operating expenses	(689,621)	689,621	-
Finance costs	(21,476)	4,051	(17,425)
2009			
Statement of Financial Position			
Current assets			
Other receivables	302,224	(300,000)	2,224
Amount owing by related companies	-	300,000	300,000
Current liabilities			
Trade payables	786,835	(693,585)	93,250
Amount owing to related companies	-	693,585	693,585
Statement of Comprchensive Income			
Administration expenses	(152,005)	(1,101,140)	(1,253,145)
Selling and distribution expenses	(254,986)	254,986	
Other operating expenses	(845,325)	845,325	_
Finance costs	(14,400)	829	(13,571)
	` ' '		



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP

7.4.1 Statement of Comprehensive Income

The following statement of comprehensive income is based on the audited financial statements of TMP for the FYE2008, FYE2009, FYE2010 and FYE2011.

		<> FYE 31 December>			
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
Revenue	7.4.5.1	1,646,251	1,506,094	1,156,756	4,363,141
Cost of sales		(1,311,500)	(1,070,157)	(519,852)	(3,459,060)
Gross profit	-	334,751	435,937	636,904	904,081
Other operating income		25,696	10,730	157,366	15,450
Administration expenses		(264,354)	(313,274)	(575,609)	(512,261)
Finance costs	7.4.5.2	(11,291)	(60,837)	(23,364)	(25,162)
Profit before taxation	7.4.5.3	84,802	72,556	195,297	382,108
Taxation	7.4.5.4	(44,483)	(48,693)	(63,612)	(110,854)
Net profit for the financial year, representing total comprehensive income for the financial year		40,319	23,863	131,685	271,254



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP (Cont'd)

7.4.2 Statement of Financial Position

The following statement of financial position is based on the audited financial statements of TMP as at 31 December 2008, 2009, 2010 and 2011.

	<>				
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
Non-Current Assets					
Property, plant and equipment	7.4.5.5	12,335,574	5,548,239	3,262,184	340,401
Current Assets				•	
Inventories Trade receivables Other receivables Tax recoverable Amount owing by	7.4.5.6 7.4.5.7 7.4.5.8	980,348 144,309	36,245 32,219	9,031 43,945 33,492	358,784 579,501 12,100 27,576
related companies Fixed deposits with a licensed bank	7.4.5.9 7.4.5.10	339,803	330,708	322,642	701,854 311,130
Cash and bank balances	_	223,667 1,688,127	66,820 465,992	370,535 779,645	468,442 2,459,387
Total Assets	-	14,023,701	6,014,231	4,041,829	2,799,788
Equity					
Share capital Retained profits Total Equity	7.4.5.11	1,000,000 1,838,767 2,838,767	1,000,000 1,798,448 2,798,448	500,000 1,774,585 2,274,585	94,002 1,924,906 2,018,908
Non-Current Liabilities Hire purchase					
payables Bank borrowings Deferred tax	7.4.5.12 7.4.5.13	6,232,175	44,490 1,336,513	89,827 1,397,675	211,083
liability	7.4.5.14	87,200 6,319,375	15,400 1,396,403	16,000 1,503,502	20,000



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP (Cont'd)

7.4.2 Statement of Financial Position (Cont'd)

		<	As at 31 D	ecember	>
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
Current Liabilities					
Trade payables	7.4.5.15	-	_	_	127,379
Other payables	7.4.5.16	694,923	735,551	27,560	31,673
Hire purchase					
payables	7.4.5.12	40,816	45,331	49,000	25,500
Amount owing to					
holding company	7.4.5.17	2,412,706	-	-	-
Amount owing to					
related companies	7.4.5.9	959,100	909,844	-	89,335
Bank borrowings	7.4.5.13	758,014	85,596	137,176	275,910
Amount owing to a					
Director	7.4.5.18	-	43,058	50,006	-
	-	4,865,559	1,819,380	263,742	549,797
Total Liabilities	_	11,184,934	3,215,783	1,767,244	780,880
Total Equity and	-				
Liabilities	_	14,023,701	6,014,231	4,041,829	2,799,788



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP (Cont'd)

7.4.3 Statement of Changes in Equity

The following statement of changes in equity is based on the audited financial statements of TMP as at 31 December 2008, 2009, 2010 and 2011.

	Share Capital RM	Retained Profit RM	Total RM
At 1 January 2008	94,002	1,653,652	1,747,654
Net profit for the financial year, representing total comprehensive income for the financial year	-	271,254	271,254
At 31 December 2008	94,002	1,924,906	2,018,908
At 1 January 2009	94,002	1,924,906	2,018,908
Bonus issue	282,006	(282,006)	-
Issue of shares	123,992	-	123,992
Net profit for the financial year, representing total comprehensive income for the financial year	-	131,685	131,685
At 31 December 2009	500,000	1,774,585	2,274,585
At 1 January 2010	500,000	1,774,585	2,274,585
Issue of shares	500,000	-	500,000
Net profit for the financial year, representing total comprehensive income for the financial year	-	23,863	23,863
At 31 December 2010	1,000,000	1,798,448	2,798,448
At 1 January 2011	1,000,000	1,798,448	2,798,448
Net profit for the financial year, representing total comprehensive income for the financial year	-	40,319	40,319
At 31 December 2011	1,000,000	1,838,767	2,838,767



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP (Cont'd)

7.4.4 Statement of Cash Flows

The following statement of cash flows is based on the audited financial statements of TMP for the FYE2008, FYE2009, FYE2010 and FYE2011.

	<	FYE 31 D	ecember	>
		112312	<restated></restated>	<restated></restated>
	2011	2010	2009	2008
	RM	RM	RM	RM
Cash Flows From Operating Activities				
Profit before taxation	84,802	72,556	195,297	382,108
Adjustments for:				
Depreciation of property,				
plant and equipment	66,625	77,347	116,680	135,276
Gain on disposal of	•	,	•	,
property, plant and				
equipment	(15,834)	-	(140,495)	_
Property, plant and	, , ,		, , ,	
equipment written off	30,573	-	-	-
Interest expenses	11,291	60,837	23,364	25,162
Interest received	(9,862)	(10,730)	(16,871)	(15,450)
Operating profit before				_
working capital changes	167,595	200,010	177,975	527,096
Decrease/(Increase) in				
working capital				
Inventories	-	_	358,784	49,017
Trade receivables	-	9,031	570,470	(20,394)
Other receivables	(944,103)	7,700	(31,845)	2,700
Trade payables	` -	-	(127,379)	37,703
Other payables	(40,628)	707,991	(4,113)	11,175
Amount owing to holding				
company	2,412,706	-	-	_
Amount owing to related				
companies	80,196	909,844	612,519	268,410
Amount owing to a Director	(43,058)	(6,948)	50,006	_
	1,465,113	1,627,618	1,428,442	348,611
Cash generated from				
operations	1,632,708	1,827,628	1,606,417	875,707
Interest paid	(11,291)	(60,837)	(23,364)	(25,162)
Tax paid	(84,773)	(48,020)	(73,527)	(242,394)
Interest received	9,862	10,730	16,871	15,450
	(86,202)	(98,127)	(80,020)	(252,106)
Net cash from operating				
activities	1,546,506	1,729,501	1,526,397	623,601



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP (Cont'd)

7.4.4 Statement of Cash Flows (Cont'd)

	<	FYE 31 I	December	>
			<restated></restated>	<restated></restated>
	2011	2010	2009	2008
	RM	RM	RM	RM
Cash Flows From Investing				
Activities				
Purchase of property, plant				
and equipment	(1,453,582)	(2,363,402)	(1,557,968)	-
Proceed from disposal of				
property, plant and	15 000		160 000	
equipment Net cash used in investing	15,000		160,000	
activities	(1,438,582)	(2,363,402)	(1,397,968)	_
	(1,100,002)	(2,000,102)	(2,237,320)	
Cash Flows From Financing				
Activities Proceed from issuance of				
share capital		500,000	123,991	_
(Repayment)/Drawdown of		500,000	123,771	
bank borrowing	(93,418)	(82,709)	4,818	-
Nct change in banker				
acceptance	-	-	-	(111,000)
Repayment of hire purchase payables	(49,005)	(49,006)	(97,756)	(96,813)
Increase in fixed deposits	(49,003)	(49,000)	(97,730)	(90,013)
pledged	(9,095)	(8,066)	(11,512)	(11,130)
Net cash (used in)/from				
financing activities	(151,518)	360,219	<u> 19,541</u>	(218,943)
Net (decrease)/increase in				
cash and cash equivalents	(43,594)	(273,682)	147,970	404,658
Cash and cash equivalents at	, , ,	, , ,		•
beginning of the financial			100	(2.1.2.1.5)
year	66,820	340,502	192,532	(212,126)
Cash and cash equivalents at end of the financial year	23,226	66,820	340,502	192,532
0114 01 010 11141101112 y 0112	20,220	00,020	5 10,502	1,55,552
Cash and cash equivalents at				
end of the financial year				
comprises: Cash and bank balances	223,667	66,820	370,535	160 112
Fixed deposits with a	223,007	00,820	370,333	468,442
licensed bank	339,803	330,708	322,642	311,130
Bank overdraft	(200,441)	,, ••	(30,033)	(275,910)
	363,029	397,528	663,144	503,662
Less: Fixed deposits		4		
pledged to a licensed bank	(339,803)	(330,708)	(322,642)	(311,130)
	23,226	66,820	340,502	192,532



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP (Cont'd)

7.4.4 Notes to the Financial Statements

1. Revenue

This represents invoiced value of goods sold less returns and discounts, if any.

2. Finance Costs

	<	FYE 31 D	ecember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Interest expenses on:				
Hire purchase interest	5,390	5,390	12,594	12,527
Overdraft interest	5,901	-	5,175	12,635
Term loan interest	122,545	55,447	5,595	-
	133,836	60,837	23,364	25,162
Less: Term loan interest capitalised in leasehold land and				
factory in progress	(122,545)	-	-	-
	11,291	60,837	23,364	25,162

3. Profit before Taxation

(a) Profit before taxation is derived after charging/(crediting):

	<	FYE 31 De	ecember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Auditors'				
remuneration	10,000	3,500	2,900	5,700
Depreciation of				
property, plant				
and equipment	66,625	77,347	116,680	135,276
Directors'				
remuneration				
- Salary and other				
emolument	94,700	77,820	87,305	70,000
Property, plant and				
equipment written				
off	30,573	-	-	-
Rental of office	-	-	-	3,000
Realised loss on				
foreign exchange	1,008	1,648	-	-
Interest received	(9,862)	(10,730)	(16,871)	(15,450)
Gain on disposal of				
property, plant and				
equipment	(15,834)		(140,495)	-



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.4 TMP (Cont'd)
- 7.4.5 Notes to the Financial Statements (Cont'd)

3. Profit before Taxation (Cont'd)

(b) Staff Costs

	<	FYE 31 De	ecember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Staff costs (excluding				
Directors)			144,860	97,660

Included in the total staff costs above are contributions made to the Employee Provident Fund under a defined contribution plan for TMP amounting to Nil (2010: Nil; 2009: RM15,499; 2008: RM8,088).

(c) Key Management Personnel Compensation

The remuneration of key management personnel is same with the Directors' remuneration as disclosed in above. TMP have no other members of key management personnel apart from the Board of Directors.

4. Taxation

	<	FYE 31 D	ecember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Tax expense for the financial year				
Current year provision (Over)/Under provision in prior	20,000	50,000	68,000	102,000
year	(47,317)	(707)	(388)	10,854
,	(27,317)	49,293	67,612	112,854
Deferred tax: Relating to origination and reversal of temporary				,
differences	24,500	(4,400)	(4,000)	(2,000)
Under provision in				
prior year	47,300	3,800		
	71,800	(600)	(4,000)	(2,000)
	44,483	48,693	63,612	110,854

Current income tax is calculated at the statutory tax rate of 25% (2010: 25%;2009: 20% on the first RM500,000 and 25% on balance; 2008: 20% on the first RM500,000 and 26% on balance) of the estimated assessable profit for the financial year.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP (Cont'd)

7.4.5 Notes to the Financial Statements (Cont'd)

4. Taxation (Cont'd)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of TMP is as follows:

	<	FYE 31 Dec	cember	>
	2011 RM	2010 RM	2009 RM	2008 RM
Profit before taxation	84,802	72,556	195,297	382,108
Taxation at statutory tax rate of 25% (2010/2009: 25%; 2008: 26%)	21,201	18,139	48,824	99,348
Tax incentive obtained from differential tax rate of 20%	-	-	(5,419)	(30,000)
Income not subject to			, ,	(50,000)
tax Expenses not deductible	-	(2,682)	(28,099)	=
for tax purposes Under provision of	23,299	30,143	48,694	30,652
deferred tax in prior years (Over)/Under provision	47,300	3,800	-	-
of current taxation in prior years	(47,317)	(707)	(388)	10,854
Tax expense for the financial year	44,483	48,693	63,612	110,854



HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4.5 Notes to the Financial Statements (Cont'd)

TMP (Cont'd)

5. Property, Plant & Equipment

Total RM	5,958,380 6,914,639	(41,907) (116,730) (101,283)	12,613,099	410,141	66,625 (41,907)	(86,624) (70,710)	277,525	12,335,574
Tools and machinery RM	130,599	(112,950) (17,649)		88,904	6,530	(83,534) (11,900)	t	•
Motor vehicles RM	318,997	(41,907)	277,090	263,579	55,417 (41,907)	. 1	277,089	-
Renovation RM	69,914	(69,914)		45,148	3,496	(48,644)	1	•
Furniture and fittings and Office equipment RM	20,576	(3,780) (13,720)	3,076	12,510	1,182	(3,090) (10,166)	436	2,640
Capital work in progress RM	2,518,679 6,914,639		9,433,318	,		1 1		9,433,318
Leasehold industrial land RM	2,899,615	, , ,	2,899,615	1	1 1	1 1		2,899,615
	2011 Cost At 1 January 2011 Additions	Disposal Disposal to a related company Written off	At 31 December 2011	Accumulated depreciation At 1 January 2011	Charge for the financial year Disposal	Disposal to a related company Written off	At 31 December 2011	Carrying amount At 31 December 2011

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7.4.5 Notes to the Financial Statements (Cont'd)

5. Property, Plant & Equipment (Cont'd)

HISTORICAL FINANCIAL STATEMENTS (CONT'D)

	Leasehold industrial land RM	Capital work in progress RM	Furniture and fittings and Office equipment RM	Renovation RM	Motor vehicles RM	Tools and machinery RM	Total RM
2010 Cost At 1 January 2010 Additions	2,899,615	158,353 2,360,326	17,500 3,076	69,914	318,997	130,599	3,594,978
At 31 December 2010	2,899,615	2,518,679	20,576	69,914	318,997	130,599	5,958,380
Accumulated depreciation At 1 January 2010	1	ı	10,632	38,157	208,161	75,844	332,794
Charge for the financial year	•		1,878	6,991	55,418	13,060	77,347
At 31 December 2010	1	1	12,510	45,148	263,579	88,904	410,141
Carrying amount At 31 December 2010	2,899,615	2,518,679	8,066	24,766	55,418	41,695	5,548,239

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TMP (Cont'd)

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	Leasehold industrial land RM	Capital work in progress RM	Furniture and fittings and Office equipment	Renovation RM	Motor vehicles RM	Tools and machinery RM	Total RM
2009 Cost At 1 January 2009 Addition Disposal	2,899,615	158,353	17,500	69,914	609,289	130,599	827,302 3,057,968 (290,292)
At 31 December 2009	2,899,615	158,353	17,500	69,914	318,997	130,599	3,594,978
Accumulated depreciation At 1 January 2009	•		8,882	31,165	384,069	62,785	486,901
Charge for the financial year Disposal	1 1	1 1	1,750	6,992	94,879	13,059	116,680
At 31 December 2009	1	1	10,632	38,157	208,161	75,844	332,794
Carrying amount At 31 December 2009	2,899,615	158,353	6,868	31,757	110,836	54,755	3,262,184

TMP (Cont'd)

HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4.5 Notes to the Financial Statements (Cont'd)

Property, Plant & Equipment (Cont'd)

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HISTORICAL FINANCIAL STATEMENTS (CONT'D)

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4 TMP (Cont'd)

7.4.5 Notes to the Financial Statements (Cont'd)

5. Property, Plant & Equipment (Cont'd)

351,625 135,276 827,302 486,901 340,401 Total RM 49,725 13,060 130,599 67,814 62,785 Tools and machinery RM 270,594 113,475 225,220 609,289 384,069 vehicles RM Motor 24,174 6,991 69,914 38,749 31,165Renovation Furniture and fittings and Office 7,132 1,750 8,618 17,500 8,882 equipment RM industrial land and factory in Leasehold progress RM At 1 January / 31 December 2008 Charge for the financial year Accumulated depreciation At 1 January 2008 At 31 December 2008 At 31 December 2008 Carrying amount 2008

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7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.4 TMP (Cont'd)
- 7.4.5 Notes to the Financial Statements (Cont'd)
 - 5. Property, Plant & Equipment (Cont'd)
 - (a) Included in the property, plant and equipment of TMP are motor vehicles acquired under hire purchase with carrying amount of RM1 (2010: RM55,417; 2009: RM110,835; 2008: RM211,180).
 - (b) A motor vehicle of the Company with the carrying amount of RM1 (2010: RM1) is held in trust under the name of a Director of the Company.
 - (c) The leasehold industrial land and factory in progress with total carrying amount of RM12,332,933 (2010: RM5,418,294; 2009: RM3,057,968) have been pledged to licensed banks as security for credit facilities granted to TMP as disclosed in Note 7.4.5.13 to the financial statements.
 - (d) The remaining period of the lease term is 97 (2010: 98; 2009: 99) years.
 - (e) The aggregate additional cost for the property, plant and equipment of TMP during the financial year under term loan and cash payments are as follows:

	<> FYE 31 December>				
	2011	2010	2009	2008	
	RM	RM	RM	RM	
Aggregate costs Less: Term loans	6,914,639	2,363,402	3,057,968	-	
financing	(5,461,057)		(1,500,000)		
Cash payments	1,453,582	2,363,402	1,557,968	_	

- (f) The finance costs capitalised to leasehold industrial land and factory in progress amounting to RM122,545 (2010/2009/2008: Nil).
- (g) The proceeds on disposal of the property, plant and equipment of the Company during the financial year are as follows:

	<> FYE 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Total consideration Less: Disposal to a	45,940	-	-	-
related company	(30,940)			
Proceeds on disposal	15,000	-	-	



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP (Cont'd)

7.4.5 Notes to the Financial Statements (Cont'd)

6. Inventories

	<>			
	2011	2010	2009	2008
	RM	RM	RM	RM
At cost				
Raw material	-	-	-	47,662
Lubricant oil	-	-	-	32,192
Finished goods solvent		-	-	278,930
				358,784

7. Trade Receivables

TMP's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case by case basis.

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

Analysis of the trade receivables ageing are as follows:

<>			
2011	2010	2009	2008
RM	RM	RM	RM
		0.021	474 171
-	-	9,031	474,171
_	-	_	12,395
-	-	-	14,090
			78,845
		9,031	579,501
	RM -	2011 2010 RM RM	2011 2010 2009 RM RM RM 9,031

TMP has not recognised any impairment loss on certain receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered receivable.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP (Cont'd)

7.4.5 Notes to the Financial Statements (Cont'd)

8. Other Receivables

< As at 31 December			
2011	2010	2009	2008
RM	RM	RM	RM
500,000	-	_	300
480,348	36,245	43,945	11,800
980,348	36,245	43,945	12,100
	RM 500,000 480,348	2011 2010 RM RM 500,000 - 480,348 36,245	2011 2010 2009 RM RM RM 500,000 480,348 36,245 43,945

Other receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

TMP has not recognised any impairment loss on certain receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered receivable.

9. Amount Owing by/to Related Companies

- (a) Amount owing by related companies represents unsecured, interest free advances and repayable on demand except for an amount of Ni1 (2010/2009: Ni1; 2008: RM1,854) which is made up of trade transactions.
- (b) Amount owing to related companies represents unsecured, interest free advances and repayable on demand except for an amount of RM529,100 (2010: RM151,246; 2009: Nil; 2008: RM88,225) which is made up of trade transactions.

10. Fixed Deposits with a Lieensed Bank

The fixed deposits have been pledged with licensed banks for bank facilities granted to TMP.

The interest rate of the fixed deposit during the financial year is 3.25% (2010: 3.20%; 2009: 3.00%; 2008: 3.70%) per annum and the maturities of the deposits are 365 days (2010: 365 days; 2009: 365 days; 2008: 365 days).

11. Share Capital

	<> As at 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Ordinary shares of				
RM1.00 each:				
Authorised				
At 1 January	1,000,000	500,000	100,000	100,000
Created during the			·	,
financial year	-	500,000	400,000	-
At 31 December	1,000,000	1,000,000	500,000	100,000



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP (Cont'd)

7.4.5 Notes to the Financial Statements (Cont'd)

11. Share Capital (Cont'd)

	<> As at 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Ordinary shares of				
RM1.00 each:				
Issued and fully paid				
ир				
At 1 January	1,000,000	500,000	94,002	94,002
Bonus issue	-	-	282,006	-
Issued during the				
financial year	-	500,000	123,992	-
At 31 December	1,000,000	1,000,000	500,000	94,002

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

12. Hire Purchase Payables

	< As at 31 December				
	2011	2010	2009	2008	
	RM	RM	RM	RM	
(a) Minimum hire purchase					
payments	45 200	54.206	54.207	111 262	
Within one year Between one and	45,300	54,396	54,396	111,362	
five years		45,300	99,696	154,092	
	45,300	99,696	154,092	265,454	
Less: Future					
finance charges	(4,484)	(9,875)	(15,265)	(28,871)	
Present value of hire purchase					
liabilities	40,816	89,821	138,827	236,583	
(b) Present value of hire purchase liabilities					
Within one year	40,816	45,331	49,000	25,500	
Between one and	·	•	,	,	
five years	-	44,490	89,827	211,083	
	40,816	89,821	138,827	236,583	
					



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.4 TMP (Cont'd)
- 7.4.5 Notes to the Financial Statements (Cont'd)
 - 12. Hire Purchase Payables (Cont'd)

	<> As at 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Analyse as: Repayable within twelve months Repayable after twelve months	40,816	45,331 44,490	49,000 89,827	25,500 211,083
	40,816	89,821	138,827	236,583

The hire purchase liabilities interest rate is charged at the rate of 2.20% (2010/2009/2008: 2.20%) per annum.

13. Bank Borrowings

	<>				
	2011	2010	2009	2008	
	RM	RM	RM	RM	
Secured					
Bank overdraft	200,441	-	30,033	275,910	
Term loans	6,789,748	1,422,109	1,504,818	· -	
	6,990,189	1,422,109	1,534,851	275,910	
Analysed as:					
Repayable within					
twelve months					
Bank overdraft	200,441	-	30,033-	275,910	
Term loans	557,573	85,596	107,143	-	
	758,014	85,596	137,176	275,910	
Repayable after twelve					
months					
Term loans	6,232,175	1,336,513	1,397,675	_	
	6,990,189	1,422,109	1,534,851	275,910	

The term loans and overdraft facilities obtained from licensed bank are secured by the following:

- (a) legal charge over the leasehold industrial land and capital work in progress of TMP;
- (b) pledged of fixed deposits;
- (c) facility agreement of RM600,000;
- (d) jointly and severally guaranteed by all the Directors of TMP; and
- (e) corporate guaranteed by a related company, Hiap Huat Chemicals Sdn Bhd



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP (Cont'd)

7.4.5 Notes to the Financial Statements (Cont'd)

13. Bank Borrowing (Cont'd)

The term loan carries interest at 1.5% to 2.5% per annum above the bank's base lending rate are repayable over 60 to 168 equal monthly instalments.

Maturity of bank borrowings is as follows:

	<> As at 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Within one year	758,014	85,596	137,176	275,910
Between one and two				
years	585,999	88,906	107,143	-
Between two and five				
years	1,895,860	287,883	321,429	-
After five years	3,750,316	959,724	969,103	-
	6,990,189	1,422,109	1,534,851	275,910

14. Deferred Tax Liability

	<>			
	2011	2010	2009	2008
	RM	RM	RM	RM
At 1 January Relating to origination and reversal of	15,400	16,000	20,000	22,000
temporary differences Under provision in prior	24,500	(4,400)	(4,000)	(2,000)
year	47,300	3,800	-	-
At 31 December	87,200	15,400	16,000	20,000

The components and movements of deferred tax liability of TMP are as follows:

	Accelerated capital	
	allowance	Total
	RM	RM
At 1 January 2011	15,400	15,400
Relating to origination and reversal of temporary		
differences	24,500	24,500
Under provision in prior year	47,300	47,300
At 31 December 2011	87,200	87,200



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP (Cont'd)

7.4.5 Notes to the Financial Statements (Cont'd)

14. Deferred Tax Liability (Cont'd)

At 1 January 2010 Relating to origination and reversal of temporary differences Under provision in prior year At 31 December 2010 At 1 January 2009 Relating to origination and reversal of temporary differences At 1 January 2009 Relating to origination and reversal of temporary differences At 31 December 2010 At 1 January 2009 Relating to origination and reversal of temporary differences At 31 December 2009 At 31 December 2009 At 31 December 2008 At 31 December 2008		Accelerated capital	
At 1 January 2010 16,000 16,000 Relating to origination and reversal of temporary differences (4,400) (4,400) Under provision in prior year 3,800 3,800 At 31 December 2010 15,400 15,400 At 1 January 2009 20,000 20,000 Relating to origination and reversal of temporary differences (4,000) (4,000) At 31 December 2009 16,000 16,000 At 1 January 2008 22,000 22,000 Relating to origination and reversal of temporary differences (2,000) (2,000)		•	Tota1
Relating to origination and reversal of temporary differences (4,400) (4,400) Under provision in prior year 3,800 3,800 At 31 December 2010 15,400 15,400 At 1 January 2009 20,000 20,000 Relating to origination and reversal of temporary differences (4,000) (4,000) At 31 December 2009 16,000 16,000 At 1 January 2008 22,000 22,000 Relating to origination and reversal of temporary differences (2,000) (2,000)		RM	RM
Relating to origination and reversal of temporary differences (4,400) (4,400) Under provision in prior year 3,800 3,800 At 31 December 2010 15,400 15,400 At 1 January 2009 20,000 20,000 Relating to origination and reversal of temporary differences (4,000) (4,000) At 31 December 2009 16,000 16,000 At 1 January 2008 22,000 22,000 Relating to origination and reversal of temporary differences (2,000) (2,000)	At 1 January 2010	16,000	16,000
Under provision in prior year 3,800 3,800 At 31 December 2010 15,400 15,400 At 1 January 2009 20,000 20,000 Relating to origination and reversal of temporary differences (4,000) (4,000) At 31 December 2009 16,000 16,000 At 1 January 2008 22,000 22,000 Relating to origination and reversal of temporary differences (2,000) (2,000)			
At 31 December 2010 15,400 15,400 At 1 January 2009 20,000 20,000 Relating to origination and reversal of temporary differences (4,000) (4,000) At 31 December 2009 16,000 16,000 At 1 January 2008 22,000 22,000 Relating to origination and reversal of temporary differences (2,000) (2,000)	differences	(4,400)	(4,400)
At 1 January 2009 Relating to origination and reversal of temporary differences At 31 December 2009 At 1 January 2008 Relating to origination and reversal of temporary differences (4,000) (4,000) 16,000 22,000 At 1 January 2008 Relating to origination and reversal of temporary differences (2,000) (2,000)	Under provision in prior year	3,800	3,800
Relating to origination and reversal of temporary differences (4,000) (4,000) At 31 December 2009 16,000 16,000 At 1 January 2008 22,000 22,000 Relating to origination and reversal of temporary differences (2,000) (2,000)	At 31 December 2010	15,400	15,400
differences (4,000) (4,000) At 31 December 2009 16,000 16,000 At 1 January 2008 22,000 22,000 Relating to origination and reversal of temporary differences (2,000) (2,000)	At 1 January 2009	20,000	20,000
At 31 December 2009 16,000 16,000 At 1 January 2008 22,000 22,000 Relating to origination and reversal of temporary differences (2,000) (2,000)	Relating to origination and reversal of temporary		
At 1 January 2008 22,000 22,000 Relating to origination and reversal of temporary differences (2,000) (2,000)	differences	(4,000)	(4,000)
Relating to origination and reversal of temporary differences (2,000) (2,000)	At 31 December 2009	16,000	16,000
differences (2,000) (2,000)	At 1 January 2008	22,000	22,000
		·	
At 31 December 2008 20,000 20,000	differences	(2,000)	(2,000)
	At 31 December 2008	20,000	20,000

15. Trade Payables

TMP's normal trade credit terms range from 30 to 90. Other credit terms are assessed and approved on a case to case basis.

16. Other Payables

	<	As at 31 I	Occember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Other payables	683,532	716,399	770	7,183
Accruals	11,391	19,152	26,790	24,490
	694,923	735,551	27,560	31,673

17. Amount Owing to Holding Company

- (a) The holding company is Hiap Huat Holdings Berhad, a company incorporated in Malaysia.
- (b) This represents unsecured, interest free advances and repayable on demand.

18. Amount owing to a Director

This represents unsecured, interest free advances and repayment on demand.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.4 TMP (Cont'd)
- 7.4.5 Notes to the Financial Statements (Cont'd)

19. Related Party Disclosures

(a) In addition to the transactions detailed elsewhere in the financial statements, TMP had the following transactions with related parties during the financial year.

	<	FYE 31 De	cember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Sale of goods Purchases of	-	300,500	233,368	635,438
goods Disposal of property, plant	1,311,500	994,940	34,238	2,888,068
and equipment	30,106	<u> </u>	_	

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

(b) Information regarding outstanding balances arising from related party transactions is disclosed in Notes 7.4.5.9 and 7.4.5.17 to the financial statements.

20. Financial Instruments

Certain comparative figures have not been presented for 31 December 2009 and 2008 by virtue of the exception given in paragraph 44AA of FRS 7, which is effective for annual periods beginning on and after 1 January 2010.

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 5 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

2011	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Financial Assets			
-			
Other receivables	980,348	-	980,348
Fixed deposits with a licensed			
bank	339,803	-	339,803
Cash and bank balances	223,667	-	223,667
Total financial assets	1,543,818	-	1,543,818



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.4 TMP (Cont'd)
- 7.4.5 Notes to the Financial Statements (Cont'd)
 - 20. Financial Instruments (Cont'd)
 - (a) Classification of financial instruments (Cont'd)

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
2011			
Financial Liabilities Other payables Amount owing to related		694,923	694,923
companies Amount owing to holding	-	959,100	959,100
company	-	2,412,706	2,412,706
Hire purchase payables	-	40,816	40,816
Bank borrowings		6,990,189	6,990,189
Total financial liabilities	-	11,097,734	11,097,734
2010			
Financial Assets			
Other receivables	36,245	-	36,245
Fixed deposits with a licensed			
bank	330,708	-	330,708
Cash and bank balances Total financial assets	66,820	-	66,820
Total financial assets	433,773	-	433,773
Financial Liabilities			
Other payables	-	735,551	735,551
Amount owing to related			
companies	-	909,844	909,844
Amount owing to a Director	-	43,058	43,058
Hire purchase payables Bank borrowings	-	89,821 1,422,109	89,821 1,422,109
Total financial liabilities		3,200,383	3,200,383
		2,200,200	3,200,000
2009			
Financial Assets			
Trade receivables Other receivables	9,031	-	9,031
Fixed deposits with a licensed	43,945	-	43,945
bank	322,642	_	322,642
Cash and bank balances	370,535	_	370,535
Total financial assets	746,153	-	746,153
TO	-		
Financial Liabilities Other payables		27.560	27.570
Amount owing to a Director	-	27,560 50,006	27,560 50,006
Hire purchase payables	-	138,827	138,827
Bank borrowings	-	1,534,851	1,534,851
Total financial liabilities	-	1,751,244	1,751,244
•		•	D. 121 C220



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP (Cont'd)

7.4.5 Notes to the Financial Statements (Cont'd)

20. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

Loans and liabilities at receivables amortised cost RM RM	Total RM
2008	
Financial Assets	
Trade receivables 579,501 -	579,501
Other receivables 12,100 -	12,100
Amount owing by related	
companies 701,854 -	701,854
Fixed deposits with a licensed	
bank 311,130 -	311,130
Cash and bank balances 468,442 -	468,442
Total financial assets 2,073,027 -	2,073,027
Financial Liabilities	
Trade payables - 127,379	127,379
Other payables - 31,673	31,673
Amount owing to related	
companies - 89,335	89,335
Hire purchase payables - 236,583	
Bank borrowings - 275,910	275,910
Total financial liabilities - 760,880	760,880

(b) Capital risk management objectives and policies

TMP's management manages its capital to ensure that TMP is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of TMP consists of issued capital, cash and cash equivalents and bank borrowings.

(c) Financial risk management objectives and policies

TMP's financial risk management policy is to ensure that adequate financial resources are available for the development of TMP's operations whilst managing its financial risks, including credit risk, market risk, liquidity and cash flows risk. TMP operates within clearly defined guidelines that are approved by the Board and the TMP's policy is not to engage in speculative transactions.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.4 TMP (Cont'd)
- 7.4.5 Notes to the Financial Statements (Cont'd)

20. Financial Instruments (Cont'd)

(d) Credit risk

Fixed deposits with licensed banks and cash and bank balances are placed with a credit worthy financial institution.

Credit risk arises mainly from the inability of its customers to make payments when due. TMP has adopted a policy of only dealing with creditworthy counterparties. Receivables are monitored on an ongoing basis via TMP's management reporting procedures and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting represents TMP's maximum exposure to credit risk in relation to financial assets. No financial assets earry a significant exposure to credit risk.

(e) Liquidity risk

TMP's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. TMP monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which TMP can be required to pay.



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7.4.5 Notes to the Financial Statements (Cont'd)

HISTORICAL FINANCIAL STATEMENTS (CONT'D)

TMP (Cont'd)

20. Financial Instruments (Cont'd)

(e) Liquidity risk (Cont'd)

	On demand or within 1 year RM	l - 2 years RM	2 - 5 years RM	After 5 years RM	Total RM
2011					
Financial Liabilities					
Other payables	694,923	,	•	•	694,923
Amount owing to related companies	959,100	•	•	•	959,100
Amount owing to holding company	2,412,706	•	,	•	2,412,706
Hire purchase payables	40,816		•	•	40,816
Bank borrowings	758,014	585,999	1,895,860	3,750,316	6,990,189
Total financial liabilities	4,865,559	585,999	1,895,860	3,750,316	11,097,734
2010					
Financial Liabilities					
Other payables	735,551	•	1	•	735,551
Amount owing to related companies	909,844	1	1	•	909,844
Amount owing to a Director	43,058	•	•	•	43,058
Hire purchase payables	45,331	44,490	•	•	89,821
Bank borrowings	85,596	906'88	287,883	959,724	1,422,109
Total financial liabilities	1,819,380	133,396	287,883	959,724	3,200,383

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-	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total RM
	27.560	,	•	1	27 560
	50,006	•	1	•	50,006
	49,000	44,521	45,306	•	138,827
	137,176	107,143	321,429	969,103	1,534,851
	263,742	151,664	366,735	969,103	1,751,244
	127,379	ı	•	ı	127,379
	31,673	•	•	•	31,673
	89,335	•	•	•	89,335
	25,500	23,250	187,833	•	236,583
	275,910	ı	•	•	275,910
	549,797	23,250	187,833		760,880

20. Financial Instruments (Cont'd) (e) Liquidity risk (Cont'd)

7.4

TMP (Cont'd)

HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4.5 Notes to the Financial Statements (Cont'd)

A member of UHY International, a network of independent accounting and consulting firms

Amount owing to a Director Hire purchase payables

Financial Liabilities

Other payables

Bank borrowings Total financial liabilities

Amount owing to related companies

Financial Liabilities

Trade payables Other payables

Bank borrowings Total financial liabilities Hire purchase payables



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.4 TMP (Cont'd)
- 7.4.5 Notes to the Financial Statements (Cont'd)
 - 20. Financial Instruments (Cont'd)
 - (f) Market risks
 - (i) Foreign currency exchange risk

TMP's exposure to foreign currency exchange risk is minimal.

(ii) Interest rate risk

TMP obtains financing through other financial liabilities. TMP's policy is to obtain the financing with the most favourable interest rates in the market.

TMP constantly monitors its interest rate risk and does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes. At the end of the reporting period, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The carrying amounts of TMP's financial instruments that are exposed to interest rate risk are as follows:

	Financial
	Asset
	RM
Fixed deposit with a licensed bank	
31 December 2011	339,803
31 December 2010	330,708
31 December 2009	322,642
31 December 2008	311,130
	Financial Liability
	RM
Bank borrowings	
31 December 2011	6,990,189
31 December 2010	1,422,109
31 December 2010 31 December 2009	

TMP is exposed to interest rate risk arising from its short and long term debts obligations, and its fixed deposits. Fixed deposits interest rate is insignificant and any fluctuations in the rate would have no material impact on the results of TMP.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.4 TMP (Cont'd)
- 7.4.5 Notes to the Financial Statements (Cont'd)
 - 20. Financial Instruments (Cont'd)
 - (f) Market risks (Cont'd)
 - (iii) Interest rate risk sensitivity

An increase in market interest rates by 1% on financial assets and liabilities of TMP which have variable interest rates at the end of the reporting period would decrease the profit before tax by RM66,504 (2010: RM10,914). This analysis assumes that all other variables remain unchanged.

A decrease in market interest rates by 1% on financial assets and liabilities of TMP which have variable interest rates at the end of the reporting period would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.

- (g) Fair values of financial assets and financial habilities
 - (i) The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amount derived from such methods and valuation technique are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of amount estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of TMP are as follows:

 Cash and cash equivalents, trade and other receivables, intercompany balances, trade and other payables and short-term borrowings

The carrying amounts are considered to approximate the fair values as they are within the normal credit terms or they have short-term maturity period.

Long-term borrowings

Fair value which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.4 TMP (Cont'd)
- 7.4.5 Notes to the Financial Statements (Cont'd)

20. Financial Instruments (Cont'd)

- (g) Fair values of financial assets and financial liabilities (Cont'd)
 - (ii) Fair value of financial instruments by categories that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value:

	Carrying amount RM	Fair value RM
Financial liability		
Hire purchase payables		
31 December 2011	-	-
31 December 2010	44,490	42,595
31 December 2009	89,827	84,835
31 December 2008	211,083	130,304

21. Reclassification

Certain reclassification have been reclassified where necessary to conform with the current financial year's presentation as follows:

	As per audited financial statements RM	Reclassification RM	As restated RM
2008			
Statement of Financial Position			
Current assets			
Trade receivables	581,355	(1,854)	579,501
Other receivables	739,676	(727,576)	12,100
Tax recoverable	-	27,576	27,576
Amount owing by related companies	-	701,854	701,854
Current liabilities			
Trade payables	215,604	(88,225)	127,379
Other payables	32,783	(1,110)	31,673
Amount owing to related companies	-	89,335	89,335
Bank overdraft	275,910	(275,910)	-
Bank borrowings		275,910	275,910



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.4 TMP (Cont'd)

7.4.5 Notes to the Financial Statements (Cont'd)

21. Reclassification (Cont'd)

	As per audited financial statements	Reclassification	As restated
	RM	RM	RM
2008	KIVI	KIVI	KIVI
Statement of Comprehensive			
Income			
Administrative expenses	(78,360)	(433,901)	(512,261)
Other operating expenses	(433,363)	433,363	•
Finance costs	(25,700)	538	(25,162)
2009			
Statement of Financial Position			
Non-Current assets			
Prepaid lease payments	3,057,968	(3,057,968)	-
Property plant and equipment	204,216	3,057,968	3,262,184
Current assets			
Prepaid lease payments	3,057,968	(3,057,968)	-
Property plant and equipment	204,216	3,057,968	3,262,184
Other receivables	77,437	(33,492)	43,945
Tax recoverable	-	33,492	33,492
Short term deposits	362,773	(362,773)	-
Cash and bank balances	7,762	362,773	370,535
Current liabilities			
Term loan	107,143	(107,143)	-
Bank overdraft	30,033	(30,033)	-
Bank borrowings		137,176	137,176
Statement of Comprehensive Income			
Administrative expenses	(135,515)	(440,094)	(575,609)
Other operating expenses	(436,041)	436,041	-
Finance costs	(27,417)	4,053	(23,364)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.5 CNT

7.5.1 Statement of Comprehensive Income

The following statement of comprehensive income is based on the audited financial statements of CNT for the FYE2008, FYE2009 FYE2010 and FYE2011.

	<> FYE 31 December>				
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
Revenue	7.5.5.1	-	9,679,500	10,526,718	22,798,496
Cost of sales		-	(7,633,911)	(8,102,271)	(20,136,028)
Gross profit	_	-	2,045,589	2,424,447	2,662,468
Other operating income		75,252	630	721	-
Administration expenses		(57,599)	(1,346,989)	(1,805,872)	(2,243,134)
Finance costs	7.5.5.2	(4,171)	(8,489)	(2,938)	(2,693)
Profit before taxation	7.5.5.3	13,482	690,741	616,358	416,641
Taxation	7.5.5.4	3,495	(210,235)	(136,621)	(88,819)
Net profit for the financial year, representing total comprehensive income for the financial year	_	16,977	480,506	479,737	327,822



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.5 CNT (Cont'd)

7.5.2 Statement of Financial Position

The following statement of financial position is based on the audited financial statements of CNT as at 31 December 2008, 2009, 2010 and 2011.

	< As at 31 December				
				<restated></restated>	<restated></restated>
		2011	2010	2009	2008
	Note	RM	RM	RM	RM
Non-Current Asset					
Property, plant and equipment	7.5.5.5	-	132,801	97,129	97,692
Current Assets					
Inventories	7.5.5.6	-	-	117,550	120,985
Trade receivables	7.5.5.7	-	178,777	521,871	704,384
Other receivables Amount owing by	7.5.5.8	200	200	4,100	10,300
related companies	7.5.5.9	540,181	3,307,516	3,294,944	1,815,611
Tax recoverable	7.5.5.7	50,783	5,507,510	87,179	142,000
Cash and bank		50,705		07,179	1 12,000
balances		3,199	225,971	30,176	208,030
	_	594,363	3,712,464	4,055,820	3,001,310
Total Assets	_	594,363	3,845,265	4,152,949	3,099,002
Equity					
Share capital	7.5.5.10	100,000	100,000	100,000	100,000
Retained profits		55,489	2,078,512	1,598,006	1,118,269
Total Equity	_	155,489	2,178,512	1,698,006	1,218,269
Non-Current Liabilities					
Hire purchase payables	7.5.5.11		68,792	45,480	71,486
Deferred tax	,		00,772	72,700	71,400
liability	7.5.5.12	-	5,300	4,300	2,500
•	_		74,092	49,780	73,986



7. HISTORICAL FINANCIAL STATEMENTS (CON'D)

- 7.5 CNT (Cont'd)
- 7.5.2 Statement of Financial Position (Cont'd)

		< As at 31 December			
				<restated></restated>	<restated></restated>
		2011	2010	2009	2008
	Note	RM	RM	RM	RM
Current Liabilities					
Trade payables	7.5.5.13	-	833,716	915,100	1,216,344
Other payables	7.5.5.14	1,500	87,017	102,683	245,006
Hire purchase					
payables	7.5.5.11	-	32,649	26,006	26,006
Amount owing to					
holding company	7.5.5.15	300,000	-	-	-
Amount owing to					
related companies	7.5.5.9	137,374	562,173	1,361,374	319,391
Tax payable	_		77,106		
	_	438,874	1,592,661	2,405,163	1,806,747
Total Liabilities		438,874	1,666,753	2,454,943	1,880,733
Total Equity and Liabilities		594,363	3,845,265	4,152,949	3,099,002



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.5 CNT (Cont'd)

7.5.3 Statement of Changes in Equity

The following statement of changes in equity is based on the audited financial statements of CNT as at 31 December 2008, 2009, 2010 and 2011.

	Note	Share Capital RM	Retained Profit RM	Total RM
At 1 January 2008	Note	100,000	790,447	890,447
Net profit for the financial year, representing total comprehensive income for the				
financial year		-	327,822	327,822
At 31 December 2008		100,000	1,118,269	1,218,269
At 1 January 2009		100,000	1,118,269	1,218,269
Net profit for the financial year, representing total comprehensive income for the				
financial year		-	479,737	479,737
At 31 December 2009		100,000	1,598,006	1,698,006
At 1 January 2010		100,000	1,598,006	1,698,006
Net profit for the financial year, representing total comprehensive income for the				
financial year		-	480,506	480,506
At 31 December 2010	,	100,000	2,078,512	2,178,512
At 1 January 2011		100,000	2,078,512	2,178,512
Net profit for the financial year, representing total comprehensive income for the				
financial year		-	16,977	16,977
Dividend	7.5.5.16	-	(2,040,000)	(2,040,000)
At 31 December 2011		100,000	55,489	155,489



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.5 CNT (Cont'd)

7.5.4 Statement of Cash Flows

The following statement of cash flows is based on the audited financial statements of CNT for the FYE2008, FYE2010 and FYE2011.

	<> FYE 31 December>			
			<restated></restated>	<restated></restated>
	2011	2010	2009	2008
	RM	RM	RM	RM
Cash Flows From Operating Activities				
Profit before taxation	13,482	690,741	616,358	416,641
Adjustments for:				
Depreciation of property,				
plant and equipment	32,724	44,997	29,743	28,381
Gain on disposal of				
property, plant and				
equipment	(75,181)	-	-	-
Property, plant and				
equipment written off	9,228	-	-	-
Interest expenses	4,171	8,489	2,938	2,693
Interest received	(71)	(630)	(721)	
Operating (loss)/profit before				
working capital changes	(15,647)	743,597	648,318	447,715
Decrease/(Increase) in				
working capital				
Inventories	-	117,550	3,435	128,608
Trade receivables	178,777	343,094	182,513	801,260
Other receivables	-	3,900	6,200	1,000
Trade payables	(833,716)	(81,384)	(431,049)	724,330
Other payables	(85,517)	(15,665)	(12,519)	232,006
Amount owing to holding				
company	300,000	-	-	- 1
Amount owing by/to related				
companies	2,370,566	(811,773)_	(437,349)	(1,673,709)
	1,930,110	(444,278)	(688,769)	213,495
Cash generated from/(used in)				
operations	1,914,463	299,319	(40,451)	661,210
Interest paid	(4,171)	(8,489)	(2,938)	(2,693)
Tax paid	(129,694)	(44,951)	(80,000)	(434,919)
Interest received	71	630	721	
	(133,794)	(52,810)	(82,217)	(437,612)
Net cash from/(used in)				
operating activities	1,780,669	246,509	(122,668)	223,598



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.5 CNT (Cont'd)
- 7.5.4 Statement of Cash Flows (Cont'd)

	< FYE 31 December			>
			<restated></restated>	<restated></restated>
	2011	2010	2009	2008
	RM	RM	RM	RM
Cash Flows From Investing				
Activities				
Purchase of property, plant		(00 ((0)	(00.100)	(15.005)
and equipment	-	(23,669)	(29,180)	(15,825)
Proceeds from disposal of				
property, plant and				
equipment	138,000			
Net cash from/(used in)				
investing activities	138,000	(23,669)	(29,180)	(15,825)
Cash Flows From Financing				
Activity				
Repayment of hire purchase				
payables	(101,441)	(27,045)	(26,006)	(23,839)
Dividend paid	(2,040,000)			
Net cash used in financing				
activity	(2,141,441)	(27,045)	(26,006)	(23,839)
Net (decrease)/increase in	(222.552)	105 505	(155.054)	100.004
cash and cash equivalents	(222,772)	195,795	(177,854)	183,934
Cash and cash equivalents at				
beginning of the financial	005.051	20.156	202.020	24.005
year	225,971	30,176	208,030	24,096
Cash and cash equivalents at	4.400	22.5	***	***
end of the financial year	3,199	225,971	30,176	208,030
Cash and cash equivalents at				
end of the financial year				
comprises:	4.100	007.051	40.457	000.000
Cash and bank balances	3,199	225,971	30,176	208,030



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.5 CNT (Cont'd)

7.5.5 Notes to the Financial Statements

1. Revenue

This represents invoiced value of goods sold less returns and discounts, if any.

2. Finance Costs

	<>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Tutt				
Interest expense on: Hire purchase interest	4.171	8,489	2.938	2,693
Tiffe purchase interest	4,1/1	0,409	2,930	2,093

3. Profit before Taxation

(a) Profit before taxation is derived after charging/(crediting):

	< FYE 31 December			
	2011	2010	2009	2008
	RM	RM	RM	RM
Auditors'				
remuneration				
 current year 	1,500	11,000	11,000	23,000
 over provision in 				
prior year	-	(1,000)	(1,150)	-
Depreciation of				
property, plant and				
equipment	32,724	44,997	29,743	28,381
Directors'				
remuneration				
 Salary and other 				
emolument	-	298,800	210,000	195,000
Property, plant and				
equipment written				
off	9,228	-	-	-
Rental of factory	2,600	31,200	31,200	30,900
Rental of				
machinery	-	388	458	-
Gain on disposal of property, plant and				
equipment	(75,181)	•	-	_
Interest received	(71)	(630)	(721)	



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.5 CNT (Cont'd)

7.5.5 Notes to the Financial Statements (Cont'd)

3. Profit before Taxation (Cont'd)

(b) Staff Costs

	<> FYE 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Staff costs (excluding				
Directors)		215,162	433,317	352,820

Included in the total staff costs above are contributions made to the Employee Provident Fund under a defined contribution plan for CNT amounting to Nil (2010: RM11,000; 2009: RM45,332; 2008: RM19,557).

(c) Key Management Personnel Compensation

The remuneration of key management personnel is same with the Directors' remuneration as disclosed in above. CNT have no other members of key management personnel apart from the Board of Directors.

4. Taxation

	< - 	FYE 31 D	ecember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Tax expense for the financial year				
Current year provision (Over)/Under provision in prior	8,400	185,000	135,000	88,000
year	(6,595)	24,235	(179)	(81)
•	1,805	209,235	134,821	87,919
Deferred tax: Relating to origination and reversal of temporary				
differences (Over)/Under provision in prior	(1,566)	(200)	1,800	900
year	(3,734)	1,200	_	_
•	(5,300)	1,000	1,800	900
	(3,495)	210,235	136,621	88,819
	(3,175)	210,233	130,021	30,012

Current income tax is calculated at the statutory tax rate of 25% (2010: 25%; 2009: 20% on the first RM500,000 and 25% on balance; 2008: 20% on the first RM500,000 and 26% on balance) of the estimated assessable profit for the financial year.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.5 CNT (Cont'd)
- 7.5.5 Notes to the Financial Statements (Cont'd)

4. Taxation (Cont'd)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of CNT is as follows:

	<> FYE 31 December>				
	2011 RM	2010 RM	2009 RM	2008 RM	
Profit before taxation	13,482	690,741	616,358	416,641	
Taxation at statutory tax rate of 25% (2010/2009: 25%; 2008: 26%) Tax incentive obtained	3,371	172,685	154,090	108,327	
from differential tax rate of 20% Expenses not deductible	-	-	(25,000)	(27,294)	
for tax purposes (Over)/Under provision of current taxation in	3,464	12,115	7,710	7,867	
prior year Under provision of deferred tax in prior	(6,595)	24,235	(179)	(81)	
years	(3,735)	1,200			
Tax expense for the financial year	(3,495)	210,235	136,621	88,819	

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12.

Total RM	263,072 (134,100) (115,319) (13,653)	130,271 32,724 (122,925) (35,645) (4,425)	
Plant and machinery RM	36,150 - (35,400) (750)	6,003 1,808 - - (7,723) (88)	2
Renovation RM	4,908	1,473 246 (1,719)	
Office equipment RM	8,195 - (200) (7,995)	2,229 410 - (2,618)	
Motor vehicles RM	213,819 (134,100) (79,719)	120,566 30,260 (122,925) (27,901)	•

2011 Cost At 1 January 2011 Disposals

Disposal to a related company Written off

At 31 December 2011

Property, Plant & Equipment

5.

Accumulated depreciation
At 1 January 2011
Charge for the financial year
Disposals
Disposal to a related company
Written off

Carrying amount At 31 December 2011

At 31 December 2011

HISTORICAL FINANCIAL STATEMENTS (CONT'D)
 CNT (Cont'd)
 Notes to the Financial Statements (Cont'd)

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7.5.5 Notes to the Financial Statements (Cont'd)

CNT (Cont'd)

7.5

HISTORICAL FINANCIAL STATEMENTS (CONT'D)

5. Property, Plant & Equipment (Cont'd)

	Motor vehicles RM	Office equipment RM	Renovation RM	Plant and machinery RM	Total RM
2010 Cost					
At 1 January 2010	134,100	7,995	4,908	35,400	182,403
Additions	79,719	200	•	750	80,669
At 31 December 2010	213,819	8,195	4,908	36,150	263,072
Accumulated depreciation					
At I January 2010	80,460	1,419	982	2,413	85,274
Charge for the financial year	40,106	810	491	3,590	44,997
At 31 December 2010	120,566	2,229	1,473	6,003	130,271
Carrying amount	03 252	330 \$	207.0	0	100 661
At 31 December 2010	507,0%	0,700	CC+,C	30,14/	132,801



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Property, Plant & Equipment (Cont'd)

7.5.5 Notes to the Financial Statements (Cont'd)

CNT (Cont'd)

7.5

HISTORICAL FINANCIAL STATEMENTS (CONT'D)

Motor Office vchicles equipment Renovation RM RM RM	134,100 6,815 4,	1,180	134,100 7,995 4,	Accumulated depreciation	53,640 660	Charge for the financial year 26,820 759	80,460 1,419	00000
Plant and ition machinery RM	4,908 7,400	- 28,000	4,908 35,400		491 740	491 1,673	982 2,413	700 00
Total RM	153,223	29,180	182,403		55,531	29,743	85,274	t

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12.

Total RM	137,398 15,825 153,223	27,150 28,381	55,531
Plant and mackinery RM	7,400 7,400	740	740
Renovation RM	4,908	- 491	491
Office equipment RM	3,298 3,517 6,815	330	660
Motor vehicles RM	134,100	26,820 26,820	53,640

7.5.5 Notes to the Financial Statements (Cont'd)

Property, Plant & Equipment (Cont'd)

5.

CNT (Cont'd)

HISTORICAL FINANCIAL STATEMENTS (CONT'D) 7.5

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Accumulated depreciation At 1 January 2008 Charge for the financial year

At 31 December 2008

Carrying amount At 31 December 2008

At 31 December 2008

Additions

2008 Cost At 1 January 2008



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.5 CNT (Cont'd)
- 7.5.5 Notes to the Financial Statements (Cont'd)
 - 5. Property, Plant & Equipment (Cont'd)
 - (a) Included in the property, plant and equipment of CNT are motor vehicles acquired under hire purchase financing with earrying amount of Nil (2010: RM93,253; 2009: RM53,460; 2008: RM80,460).
 - (b) A motor vehicle with carrying amount of Nil (2010: RM26,820; 2009: RM53,640) is held in trust under the name of a Director of the CNT.
 - (c) A motor vehicle with carrying amount of RM66,433 (2009: Nil) is held in trust under the name of third party. Subsequent to FYE2010, the said motor vehicle is in the progress of registering under the related company, HHC.
 - (d) The aggregate additional cost for the property, plant and equipment of CNT during the financial year under term loan and cash payments are as follows:

	<	<> FYE 31 December>					
	2011	2010	2009	2008			
	RM	RM	RM	RM			
Aggregate costs Less: Hire purchase	-	80,669	29,180	15,825			
financing	-	(57,000)	-	-			
Cash payments	-	23,669	29,180	15,825			

(e) The proceeds on disposal of the property, plant and equipment of the Company during the financial year are as follows:

<	<> FYE 31 December>						
2011	2010	2009	2008				
RM	RM	RM	RM				
166,030	-	-	-				
(28,030)		-	-				
138,000							
	RM 166,030 (28,030)	2011 2010 RM RM 166,030 - (28,030) -	2011 2010 2009 RM RM RM 166,030 (28,030)				

6. Inventories

	<	<> As at 31 December>					
	2011	2010	2009	2008			
	RM	RM	RM	RM			
At cost							
Recycle Fuel Oil	-	_	7,000	un.			
Finished goods			110,550	120,985			
			117,550	120,985			



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.5 CNT (Cont'd)
- 7.5.5 Notes to the Financial Statements (Cont'd)

7. Trade Receivables

CNT's normal trade credit terms range from 60 to 90 days. Other credit terms are assessed and approved on a case by case basis.

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

Analysis of the trade receivables ageing are as follows:

	<	As at 31 I	December	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Neither past due nor				
impair		178,777	521,871	704,384

CNT has not recognised any impairment loss on certain receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered receivable.

8. Other Receivables

	<	As at 31 D	December	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Other receivables	-	-	_	6,200
Deposits	200	200	4,100	4,100
	200	200	4,100	10,300

9. Amount Owing by/to Related Companies

- (a) Amount owing by related companies represents trade transactions.
- (b) Amount owing to related companies represents unsecured, interest free advances and repayable on demand except for an amount of RM137,374 (2010: RM561,934; 2009: RM1,061,374; 2008: RM319,391) which is made up of trade transactions.

10. Share Capital

	<	As at 31 De	ecember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Ordinary shares of RM1.00 each:				
Authorised	100,000	100,000	100,000	100,000



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.5 CNT (Cont'd)
- 7.5.5 Notes to the Financial Statements (Cont'd)
 - 10. Share Capital (Cont'd)

		<	As at 31 D	ecember	>
		2011 RM	2010 RM	2009 RM	2008 RM
	Ordinary shares of RM1.00 each:				
	Issued and fully paid up	100,000	100,000	100,000	100,000
11.	Hire Purchase Payables				
		<	As at 31 D	ecember	>
		2011 RM	2010 RM	2009 RM	2008 RM
	(a) Minimum hire purchase payments				
	Within one year Between one and	-	36,852	28,944	28,944
	five years After five years	-	61,217 17,070	50,622	79,566
		-	115,139	79,566	108,510
	Less: Future finance charges Present value of		(13,698)	(8,080)	(11,018)
	hire purchase liabilities		101,441	71,486	97,492
	(b) Present value of hire purchase				
	liabilities Within one year Between one and	-	32,649	26,006	26,006
	five years	-	52,580	45,480	71,486
	After five years		16,212		
			101,441	71,486	97,492
	Analyse as: Repayable within				
	twelve months Repayable after	-	32,649	26,006	26,006
	twelve months		68,792	45,480	71,486
			101,441	71,486	97,492

The hire purchase liabilities interest is charged at rates Nil (2010: 2.26% to 2.75%; 2009: 2.26%; 2008: 2.26%) per annum.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.5 **CNT** (Cont'd)

7.5.5 Notes to the Financial Statements (Cont'd)

12. Deferred Tax Liability

	<	As at 31 I	December	>
	2011	2010	2009	2008
	RM	RM	RM	RM
At 1 January	5,300	4,300	2,500	1,600
Relating to origination and reversal of				
temporary differences	(1,566)	(200)	1,800	900
(Over)/Under provision	(2.72.4)	1 200		
in prior years	(3,734)	1,200	4.200	
At 31 December		5,300	4,300	2,500

The components and movements of deferred tax liability of CNT are as follows:

	Accelerated capital allowance RM	Total RM
At 1 January 2011	5,300	5,300
Relating to origination and reversal of temporary		•
differences	(1,566)	(1,566)
Over provision in prior years	(3,734)	(3,734)
At 31 December 2011	-	_
At 1 January 2010	4,300	4,300
Relating to origination and reversal of temporary		
differences	(200)	(200)
Under provision in prior years	1,200	1,200
At 31 December 2010	5,300	5,300
At 1 January 2009	2,500	2,500
Relating to origination and reversal of temporary	•	ĺ
differences	1,800	1,800
At 31 December 2009	4,300	4,300
At 1 January 2008	1,600	1,600
Relating to origination and reversal of temporary	,	-,
differences	900	900
At 31 December 2008	2,500	2,500
	·	

13. Trade Payables

CNT's normal trade credit terms range from 60 days. Other credit terms are assessed and approved on a case to case basis.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.5 CNT (Cont'd)
- 7.5.5 Notes to the Financial Statements (Cont'd)
 - 14. Other Payables

	<	<>		
	2011	2010	2009	2008
	RM	RM	RM	RM
Other payables	-	-	172	194,409
Accruals	1,500	87,017	102,511	50,597
	1,500	87,017	102,683	245,006

15. Amount Owing to Holding Company

- (a) The holding company is Hiap Huat Holdings Berhad, a company incorporated in Malaysia.
- (b) This represents unsecured, interest free advances and repayable on demand.
- 16. Dividend

An interim single tier tax exempt dividend of 2,040% on 100,000 ordinary shares of RM1.00 each in respect of financial year ended 31 December 2011 was paid on 30 November 2011 2,040,000		FYE2011 RM
	shares of RM1.00 each in respect of financial year ended 31 December 2011	2,040,000

17. Related Party Disclosures

(a) In addition to the transactions detailed elsewhere in the financial statements, CNT had the following transactions with related parties during the financial year.

	<> FYE 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Sale of goods	-	6,626,256	5,921,617	9,597,000
Purchases of		2,291,788	1,464,987	2 445 195
goods Transferred of	-	2,291,700	1,404,967	2,445,185
inventories Disposal of	~	342,098	-	-
property, plant				
and equipment	79,674	_	_	<u>.</u>

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



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.5 CNT (Cont'd)
- 7.5.5 Notes to the Financial Statements (Cont'd)

17. Related Party Disclosures (Cont'd)

(b) Information regarding outstanding balances arising from related party transactions is disclosed in Notes 7.5.5.9 and 7.5.5.15 to the financial statements.

18. Financial Instruments

Certain comparative figures have not been presented for 31 December 2009 and 2008 by virtue of the exception given in paragraph 44AA of FRS 7, which is effective for annual periods beginning on and after 1 January 2010.

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 5 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

		Financial	
	Loans and	liabilities at	
	receivables	amortised cost	Total
	RM	RM	RM
2011			
Financial Assets			
Other receivables	200	-	200
Amount owing by related			
companies	540,181	-	540,181
Cash and bank balances	3,199	-	3,199
Total financial assets	543,580	-	543,580
Financial Liabilities			
Other payables	_	1,500	1,500
Amount owing to related		-,000	1,000
companies	_	137,374	137,374
Amount owing to holding		,	207,071
company	_	300,000	300,000
Total financial liabilities		438,874	438,874
2010			
Financial Assets			
Trade receivables	178,777	_	178,777
Other receivables	200	_	200
Amount owing by related			
companies	3,307,516	_	3,307,516
Cash and bank balances	225,971	-	225,971
Total financial assets	3,712,464	-	3,712,464



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.5 CNT (Cont'd)
- 7.5.5 Notes to the Financial Statements (Cont'd)
 - 18. Financial Instruments (Cont'd)
 - (a) Classification of financial instruments (Cont'd)

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
2010			
Financial Liabilities			
Trade payables	-	833,716	833,716
Other payables	-	87,017	87,017
Amount owing to related		560 170	560 170
companies Hire purchase payables	-	562,173 101,441	562,173 101,441
Total financial liabilities		1,584,347	1,584,347
		-,,	-, 1,- 17
2009			
Financial Assets Trade receivables	521,871		521,871
Other receivables	4,100	-	4,100
Amount owing by related	1,100		3,294,944
companies	3,294,944	-	5,25 1,5 1 1
Cash and bank balances	30,176	-	30,176
Total financial assets	3,851,091	-	3,851,091
2009	•		
Financial Liabilities			
Trade payables	_	915,100	915,100
Other payables	-	102,683	102,683
Amount owing to related			
companies	-	1,361,374	1,361,374
Hire purchase payables		71,486	71,486
Total financial liabilities		2,450,643	2,450,643
2008			
Financial Assets			
Trade receivables	704,384	-	704,384
Other receivables	10,300	~	10,300
Amount owing by related			
companies	1,815,611	-	1,815,611
Cash and bank balances	208,030	-	208,030
Total financial assets	2,738,325	-	2,738,325
Financial Liabilities			
Trade payables	-	1,216,344	1,216,344
Other payables	-	245,006	245,006
Amount owing to related		*****	
companies	-	319,391	319,391
Hire purchase payables	-	97,492	97,492
Total financial liabilities		1,878,233	1,878,233



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.5 CNT (Cont'd)

7.5.5 Notes to the Financial Statements (Cont'd)

18. Financial Instruments (Cont'd)

(b) Capital risk management objectives and policies

CNT's management manages its capital to ensure that CNT is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of CNT consists of issued capital, cash and cash equivalents and bank borrowings.

(c) Financial risk management objectives and policies

CNT's financial risk management policy is to ensure that adequate financial resources are available for the development of CNT's operations whilst managing its financial risks, including credit risk, market risk, liquidity and cash flows risk. CNT operates within clearly defined guidelines that are approved by the Board and CNT's policy is not to engage in speculative transactions.

(d) Credit risk

Cash at banks are placed with a credit worthy financial institution.

Credit risk arises mainly from the inability of its customers to make payments when due. CNT has adopted a policy of only dealing with creditworthy counterparties. Receivables are monitored on an ongoing basis via CNT's management reporting procedures and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting represents CNT's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk.

(e) Liquidity risk

CNT's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. CNT monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which CNT can be required to pay.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.5 CNT (Cont'd)
- 7.5.5 Notes to the Financial Statements (Cont'd)
 - 18. Financial Instruments (Cont'd)
 - (e) Liquidity risk (Cont'd)

	On demand or within 1			
	year RM	1 - 2 years RM	2 - 5 years RM	Total RM
2011				
Financial Liabilities				
Other payables	1,500	-	-	1,500
Amount owing to related				
companies	137,374	-	-	137,374
Amount owing to holding	200.000			200.000
company	300,000		-	300,000
Total financial liabilities	438,874	-	-	438,874

2010				
Financial Liabilities	022 716			922 716
Trade payables	833,716 87,017	-	-	833,716
Other payables	87,017	-	-	87,017
Amount owing to related companies	562,173			562,173
Hire purchase payables	32,649	52,580	16,212	101,441
Total financial liabilities	1,515,555	52,580	16,212	1,584,347
Total Midnelal Habilities	1,515,555	32,300	10,212	1,304,547
2009				
Financial Liabilities				
Trade payables	915,100	_	_	915,100
Other payables	102,683	_	_	102,683
Amount owing to related	,			,
companies	1,361,374	_	-	1,361,374
Hire purchase payables	26,006	45,480	-	71,486
Total financial liabilities	2,405,163	45,480		2,450,643
2008				
Financial Liabilities				
Trade payables	1,216,344	-	-	1,216,344
Other payables	245,006	-	-	245,006
Amount owing to related				
companies	319,391	-	~	319,391
Hire purchase payables	26,006	26,006	45,480	97,492
Total financial liabilities	1,806,747	26,006	45,480	1,878,233



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.5 CNT (Cont'd)
- 7.5.5 Notes to the Financial Statements (Cont'd)
 - 18. Financial Instruments (Cont'd)
 - (f) Market risks
 - (i) Foreign currency exchange risk

CNT's exposure to foreign currency exchange risk is minimal.

(ii) Interest rate risk

CNT do not expose to interest rate risk at the end of the reporting date.

- (g) Fair values of financial assets and financial liabilities
 - (i) The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amount derived from such methods and valuation technique are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of amount estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of CNT are as follows:

 Cash and cash equivalents, trade and other receivables, intercompany balances, trade and other payables and short-term borrowings

The carrying amounts are considered to approximate the fair values as they are within the normal credit terms or they have short-term maturity period.

Long-term borrowings

Fair value which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.5 CNT (Cont'd)
- 7.5.5 Notes to the Financial Statements (Cont'd)
 - 18. Financial Instruments (Cont'd)
 - (g) Fair values of financial assets and financial liabilities (Cont'd)
 - (ii) Fair value of financial instruments by categories that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value:

	Carrying amount RM	Fair value RM
Financial liability		
Hire purchase payables		
31 December 2011	-	-
31 December 2010	68,792	61,537
31 December 2009	45,480	43,111
31 December 2008	71,486	70,310

19. Reclassification

Certain reclassification have been reclassified where necessary to conform with the current financial year's presentation as follows:

	As per audited		
	financial	* • • • •	
	statements	Reclassification	As restated
	RM	RM	RM
2008			
Statement of financial position			
Current assets			
Trade receivables	2,519,995	(1,815,611)	704,384
Other receivables	152,300	(142,000)	10,300
Amount owing by related companies	-	1,815,611	1,815,611
Tax recoverable	-	142,000	142,000
Current liabilities			
Trade payables	1,535,735	(319,391)	1,216,344
Amount owing to related companies		319,391	319,391
Statement of comprehensive income			
Other operating expenses	(2,021,976)	2,021,976	_
Finance costs	(3,216)	523	(2,693)
Administration expenses	(220,635)	(2,022,499)	(2,243,134)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.5 CNT (Cont'd)
- 7.5.5 Notes to the Financial Statements (Cont'd)

19. Reclassification (Cont'd)

	As per audited financial		
	statements	Reclassification	As restated
	RM	RM	RM
2009			
Statement of financial position			
Current assets			
Trade receivables	3,816,815	(3,294,944)	521,871
Other receivables	91,279	(87,179)	4,100
Amount owing by related companies	-	3,294,944	3,294,944
Tax recoverable	-	87,179	87,179
Current liabilities			
Trade payables	1,857,179	(942,079)	915,100
Other payables	521,978	(419,295)	102,683
Amount owing to related companies		1,361,374	1,361,374
Statement of comprehensive income			
Administration expenses	(222,050)	(1,583,822)	(1,805,872)
Other operating expenses	(1,583,502)	1,583,502	•
Finance cost	(3,258)	320	(2,938)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.6 Transada

7.6.1 Statement of Comprehensive Income

The following statement of comprehensive income is based on the audited financial statements of Transada for the FYE2008, FYE2010 and FYE2011.

		<	FYE 31 D	>	
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
Revenue	7.6.5.1	55,080	877,164	1,414,149	1,297,344
Cost of sales		(39,960)	(624,623)	(807,423)	(571,540)
Gross profit		15,120	252,541	606,726	725,804
Other operating income		230	1,035	40,545	90,000
Administration expenses		(125,803)	(184,863)	(420,175)	(409,157)
(Loss)/Profit before taxation	7.6.5.2	(110,453)	68,713	227,096	406,647
Taxation	7.6.5.3	6,139	(20,204)	(46,893)	(54,000)
Net (loss)/profit for the financial year, representing total comprehensive income for the financial year		(104,314)	48,509	180,203	352,647



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.6 Transada (Cont'd)

7.6.2 Statement of Financial Position

The following statement of financial position is based on the audited financial statements of Transada as at 31 December 2008, 2009, 2010 and 2011.

Note RM RM RM RM RM RM RM R			<>				
Property, plant and equipment 7.6.5.4 34,192 49,237 71,726 78,978		Note			2009	2008	
equipment 7.6.5.4 34,192 49,237 71,726 78,978 Current Assets Inventories 7.6.5.5 8,838 48,798 35,960 30,200 Trade receivables 7.6.5.6 - 500 - - Other receivables 7.6.5.7 5,275 13,845 38,055 24,285 Amount owing by related companies 7.6.5.8 147,814 561,934 693,580 308,023 Tax recoverable 46,154 11,419 - 2,406 Cash and bank balances 55,027 66,453 89,460 84,664 263,108 702,949 857,055 449,578 Total Assets 297,300 752,186 928,781 528,556 Equity Share capital 7.6.5.9 320,000 320,000 320,000 320,000 (Accumulated loss)/Retained profits (27,195) 377,119 328,610 148,407 Non-Current Liabilities - - - - 5,751 <tr< th=""><th></th><th></th><th></th><th></th><th></th><th></th></tr<>							
Inventories		7.6.5.4	34,192	49,237	71,726	78,978	
Trade receivables 7.6.5.6	Current Assets						
Amount owing by related companies 7.6.5.8 147,814 561,934 693,580 308,023 Tax recoverable 46,154 11,419 - 2,406 Cash and bank balances 55,027 66,453 89,460 84,664 263,108 702,949 857,055 449,578 Total Assets 297,300 752,186 928,781 528,556 Equity Share capital 7.6.5.9 320,000 320,000 320,000 320,000 (Accumulated loss)/ Retained profits (27,195) 377,119 328,610 148,407 Total Equity 292,805 697,119 648,610 468,407 Non-Current Liabilities Amount owing to Directors 7.6.5.10 5,751 Deferred tax liability 7.6.5.11 - 5,400 7,000 13,000	Trade receivables	7.6.5.6	-	500	-	-	
related companies 7.6.5.8 147,814 561,934 693,580 308,023 Tax recoverable 46,154 11,419 - 2,406 Cash and bank balances 55,027 66,453 89,460 84,664 263,108 702,949 857,055 449,578 Total Assets 297,300 752,186 928,781 528,556 Equity Sharc capital 7.6.5.9 320,000 320,000 320,000 320,000 (Accumulated loss)/ Retained profits (27,195) 377,119 328,610 148,407 Total Equity 292,805 697,119 648,610 468,407 Non-Current Liabilities Amount owing to Directors 7.6.5.10 5,751 Deferred tax liability 7.6.5.11 - 5,400 7,000 13,000	-	7.6.5.7	5,275	13,845	38,055	24,285	
Total Assets 263,108 702,949 857,055 449,578 297,300 752,186 928,781 528,556	related companies Tax recoverable	7.6.5.8			693,580		
Total Assets 297,300 752,186 928,781 528,556 Equity Sharc capital (Accumulated loss)/Retained profits 7.6.5.9 320,000	balances						
Equity Share capital 7.6.5.9 320,000 320,000 320,000 320,000 (Accumulated loss)/ Retained profits (27,195) 377,119 328,610 148,407 Total Equity 292,805 697,119 648,610 468,407 Non-Current Liabilities Amount owing to Directors 7.6.5.10 5,751 Deferred tax liability 7.6.5.11 - 5,400 7,000 13,000							
Share capital (Accumulated loss)/ (Accumulated loss)/ Retained profits (27,195) 377,119 328,610 148,407 Total Equity 292,805 697,119 648,610 468,407 Non-Current Liabilities Amount owing to Directors 7.6.5.10 - - - 5,751 Deferred tax liability 7.6.5.11 - 5,400 7,000 13,000	Total Assets		297,300	752,186	928,781	528,556	
(Accumulated loss)/ (27,195) 377,119 328,610 148,407 Total Equity 292,805 697,119 648,610 468,407 Non-Current Liabilities Amount owing to Directors 7.6.5.10 - - - 5,751 Deferred tax liability 7.6.5.11 - 5,400 7,000 13,000	Equity						
Retained profits (27,195) 377,119 328,610 148,407 Total Equity 292,805 697,119 648,610 468,407 Non-Current Liabilities Amount owing to Directors 7.6.5.10 - - - 5,751 Deferred tax liability 7.6.5.11 - 5,400 7,000 13,000		7.6.5.9	320,000	320,000	320,000	320,000	
Non-Current Liabilities Amount owing to Directors 7.6.5.10 5,751 Deferred tax liability 7.6.5.11 - 5,400 7,000 13,000			(27,195)	377,119	328,610	148,407	
Liabilities Amount owing to Directors 7.6.5.10 - - - 5,751 Deferred tax liability 7.6.5.11 - 5,400 7,000 13,000	Total Equity		292,805	697,119	648,610	468,407	
Directors 7.6.5.10 - - - 5,751 Deferred tax liability 7.6.5.11 - 5,400 7,000 13,000							
liability 7.6.5.11 <u>- 5,400</u> 7,000 13,000	Directors	7.6.5.10	-	-	-	5,751	
		7.6.5.11	-	5,400	7,000	13,000	
				5,400	7,000	18,751	



7. HISTORICAL FINANCIAL STATEMENTS (CON'D)

- 7.6 Transada (Cont'd)
- 7.6.2 Statement of Financial Position (Cont'd)

	<> As at 31 December>				
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
Current Liabilities					
Trade payables	7.6.5.12	_	34,560	153,630	28,210
Other payables Amount owing to	7.6.5.13	4,495	14,831	108,897	8,708
related companies	7.6.5.8	-	276	-	4,480
Tax payable		-	-	10,644	-
		4,495	49,667	273,171	41,398
Total Liabilities		4,495	55,067	280,171	60,149
Total Equity and Liabilities		297,300	752,186	928,781	528,556



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.6 Transada (Cont'd)

7.6.3 Statement of Changes in Equity

The following statement of changes in equity is based on the audited financial statements of Transada as at 31 December 2008, 2009 and 2010.

		Share Capital RM	Retained Profit / (Accumulated Loss) RM	Total RM
At 1 January 2008	Note	20,000	(204,240)	(184,240)
Issuance of share capital		300,000	-	300,000
Net profit for the financial year, representing total comprehensive income for the financial year		-	352,647	352,647
At 31 December 2008		320,000	148,407	468,407
	•			
At 1 January 2009		320,000	148,407	468,407
Net profit for the financial year, representing total comprehensive income for the financial year		_	180,203	180,203
At 31 December 2009		320,000	328,610	648,610
At 1 January 2010	•	320,000	328,610	648,610
Net profit for the financial year, representing total comprehensive income for the financial year		-	48,509	48,509
At 31 December 2010	-	320,000	377,119	697,119
At 1 January 2011	'	320,000	377,119	697,119
Net loss for the financial year, representing total comprchensive income for the financial year		-	(104,314)	(104,314)
Dividend	7.6.5.14	-	(300,000)	(300,000)
At 31 December 2011	-	320,000	(27,195)	292,805



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.6 Transada (Cont'd)

7.6.4 Statement of Cash Flows

The following statement of cash flows is based on the audited financial statements of Transada for the FYE2008, FYE2010 and FYE2011.

	<>			
			<restated></restated>	<restated></restated>
	2011	2010	2009	2008
	RM	RM	RM	RM
Cash Flows From Operating				
Activities				
(Loss)/Profit before taxation	(110,453)	68,713	227,096	406,647
Adjustments for:				
Depreciation of property,				
plant and equipment	11,442	14,982	22,967	25,527
Loss/(Gain) on disposal of	11,112	11,502	22,507	20,027
property, plant and				
equipment	81	7,007	(39,670)	_
Property, plant and		7,007	(33,070)	
equipment written off	3,022	-	10,600	_
Interest income	(230)	(1,035)	(875)	_
Operating (loss)/profit before	(233)	(2,000)	(375)	
working capital changes	(96,138)	89,667	220,118	432,174
Working outstand outsing co	(50,150)	02,007	220,110	132,171
Decrease/(Increase) in				
working capital				
Inventories	39,960	(12,838)	(5,760)	(30,200)
Trade receivables	500	(500)	-	30,221
Other receivables	8,570	24,210	(13,770)	3,700
Trade payables	(34,560)	(119,070)	125,420	28,210
Other payables	(10,336)	(94,066)	100,189	(16,944)
Amount owing by/to related	(1,11)		, , , , , , , , , , , , , , , , , , , ,	
companies	414,344	131,922	(390,037)	(353,751)
Amount owing to Directors			(5,751)	-
8	418,478	(70,342)	(189,709)	(338,764)
Cash generated from operating		(, , , , , , , , , , , , , , , , , , ,		(**
activities	322,340	19,325	30,409	93,410
Tax paid	(33,996)	(43,867)	(39,843)	(10,200)
Interest received	230	1,035	875	-
	(33,766)	(42,832)	(38,968)	(10,200)
Net cash from/(used in)	(,,)	(:=,:==)		(20,200)
operating activities	288,574	(23,507)	(8,559)	83,210
-L		(20,001)	(0,000)	



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.6 Transada (Cont'd)
- 7.6.4 Statement of Cash Flows (Cont'd)

	<> FYE 31 December>			
	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
Cash Flows From Investing				
Activities				
Purchase of property, plant				
and equipment	-	(2,500)	(41,645)	(2,000)
Proceed from disposal of				
property, plant and				
equipment	<u> </u>	3,000	55,000	
Net cash from/(used in)				
investing activities	-	500	13,355	(2,000)
Cash Flows From Financing				
Activity				
Dividend paid	(300,000)	_	_	_
Net cash used in investing	(300,000)	<u>-</u> _		
activity	(300,000)	_	_	_
	(300,000)			
Net (decrease)/increase in				
cash and cash equivalents	(11,426)	(23,007)	4,796	81,210
Cash and cash equivalents at				
beginning of the financial				
year	66,453	89,460	84,664	3,454
Cash and cash equivalents at				
end of the financial year	55,027	66,453	89,460	84,664
Cash and cash equivalents at				
end of the financial year				
comprises: Cash and bank balances	55.027	66 452	90.470	04.664
Cash and bank balances	55,027	66,453	89,460	84,664



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.6 Transada (Cont'd)

7.6.5 Notes to the Financial Statements

1. Revenue

This represents invoiced value of services rendered and goods sold less returns and discounts, if any.

2. (Loss)/Profit before Taxation

(a) (Loss)/Profit before taxation is derived after charging/(crediting):

		<	FYE 31 De	cember	>
		2011 RM	2010 RM	2009 RM	2008 RM
	Auditors'				
	remuneration	2,000	3,000	3,150	3,000
	Depreciation of				
	property, plant	11 442	14.002	22.077	25 527
	and equipment	11,442	14,982	22,967	25,527
	Property, plant and equipment written				
	off	3,022	_	10,600	_
	Rental of factory,	-,		10,000	
	plant and				
	machinery				
	- third party	-	-	-	76,780
	- related company	60,000	60,000	60,000	66,980
	Rental of hostel Loss/(Gain) on	-	-	3,000	3,900
	disposal of				
	property, plant and				
	equipment	81	7,007	(39,670)	_
	Interest received	(230)	(1,035)	(875)	-
	Rental income	-	<u> </u>	<u> </u>	(90,000)
(b)	Staff Costs				
		<	FYE 31 De	cember	>
		2011	2010	2009	2008
		RM	RM	RM	RM
	Staff costs				
	(excluding				
	Directors)	26,124	70,025	102,002	102,560

Included in the total staff costs above are contributions made to the Employee Provident Fund under a defined contribution plan for Transada amounting to RM2,860 (2010: RM6,612; 2009: RM6,520; 2008: RM4,023).

(c) Key Management Personnel Compensation

Transada have no other members of key management personnel apart from the Board of Directors.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.6 Transada (Cont'd)
- 7.6.5 Notes to the Financial Statements (Cont'd)

3. Taxation

	<	>		
	2011	2010	2009	2008
	RM	RM	RM	RM
Tax expense for the financial year				
Current year provision	-	22,100	53,000	41,000
Over provision in				
prior year	(739)	(296)	(107)	-
	(739)	21,804	52,893	41,000
Deferred tax:				
Relating to origination and reversal of temporary				
differences	(5,400)	(3,500)	(6,000)	13,000
Under provision in	. , ,	() /	() /	,
prior year	-	1,900	-	-
	(5,400)	(1,600)	(6,000)	13,000
	(6,139)	20,204	46,893	54,000

Current income tax is calculated at the statutory tax rate of 25% (2010: 25%; 2009: 20% on the first RM500,000 and 25% on balance; 2008: 20% on the first RM500,000 and 26% on balance) of the estimated assessable profit for the financial year.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.6 Transada (Cont'd)

7.6.5 Notes to the Financial Statements (Cont'd)

3. Taxation (Cont'd)

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

	<	FYE 31 De	ecember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
(Loss)/Profit before				
taxation	(110,453)	68,713	227,096	406,647
Taxation at statutory tax				
rate of 25% (2010/2009:				
25%; 2008: 26%)	(27,613)	17,178	56,774	105,728
Tax incentive obtained	(, , == ,	,	,	,
from differential tax				
rate of 20%	-	_	(9,683)	(12,048)
Expenses not deductible			, , ,	, , ,
for tax purposes	3,098	1,422	7,843	5,927
Income not subject to				
tax	-	-	(7,934)	-
Deferred tax assets not				
recognised	19,115	-	-	-
Utilisation of unused tax				
losses and unutilised				
capital allowances				
previously not				(15.505)
recognised	-	-	-	(45,607)
Over provision of				
current taxation in prior	(720)	(20.0)	(107)	
years Under provision of	(739)	(296)	(107)	-
deferred tax in prior				
years	_	1,900		
Tax expense for the		1,500		
financial year	(6,139)	20,204	46,893	54,000
	(0,10)	20,201	10,023	21,000



HISTORICAL FINANCIAL STATEMENTS (CONT'D)

Transada (Cont'd)

7.6

7.6.5 Notes to the Financial Statements (Cont'd)

4. Property, Plant and Equipment

	Motor vehicles	Office	Renovation	Tools and	Total
	RM	RM	RM	RM	RM
2011					
Cost At 1 January 2011	37 000	12 295	14.700	37,522	101.517
Disposal to a related company	1			(11,625)	(11.625)
Written off	i	(5,495)	1	` '	(5,495)
At 31 December 2011	37,000	6,800	14,700	25,897	84,397
Accumulated depreciation					
At 1 January 2011	5,242	2,845	13,498	30,695	52,280
Charge for the financial year	7,400	926	400	2,686	11,442
Disposal to a related company	1	•	•	(11,044)	(11,044)
Written off	1	(2,473)	•	` 1	(2,473)
At 31 December 2011	12,642	1,328	13,898	22,337	50,205
Carrying amount					
At 31 December 2011	24 358	5 472	802	3 560	34 192

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	(þ
Transada (Cont'd)	Notes to the Financial Statements (Cont'd)

7.6.5

9.7

Property, Plant and Equipment (Cont'd)

HISTORICAL FINANCIAL STATEMENTS (CONT'D)

Total RM 138,217 2,500 (39,200) 101,517 66,491 14,982 (29,193) 52,280	Tools and machinery M RM 14,700 37,522 - - 14,700 37,522 14,700 37,522 - - - - - - - - - 37,522 - - - - - - 13,498 30,695
101,51	
2,50((39,20(
138,217	
Total RM	Tools and machinery RM



12.

HISTORICAL FINANCIAL STATEMENTS (CONT'D)

Transada (Cont'd)

7.6

7.6.5 Notes to the Financial Statements (Cont'd)

Property, Plant and Equipment (Cont'd)

and Total inery RM		19,177 244,572		(82,000) (110,000)		37,522 138,217			11,252 22,967			26,944 66,491	
Tools and Renovation machinery RM RM		14,700		8) -	ı	14,700			2,940		1	10,560	:
Office equipment RM		5,495	4,300	,	,	9,795		1,099	746	1	•	1,845	:
Motor vchicles RM		105,200	37,000	(28,000)	(38,000)	76,200		990'89	8,029	(21,553)	(27,400)	27,142	•
	2009 Cost	At 1 January 2009	Additions	Disposals	Written off	At 31 December 2009	Accumulated denreciation	At 1 January 2009	Charge for the financial year	Disposals	Written off	At 31 December 2009	Carrying amount

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HISTORICAL FINANCIAL STATEMENTS (CONT'D)

Transada (Cont'd)

9.7

7.6.5 Notes to the Financial Statements (Cont'd)

Property, Plant and Equipment (Cont'd)

	Motor vehicles RM	Office equipment RM	Tools and machinery RM	Renovation RM	Total RM
2008 Cost					
At 1 January 2008 Additions	105,200	5,495	119,177	12,700 2,000	242,572 2,000
At 31 December 2008	105,200	5,495	119,177	14,700	244,572
Accumulated depreciation					
At 1 January 2008	57,546	549	76,892	5,080	140,067
Charge for the financial year	10,520	550	11,917	2,540	25,527
At 31 December 2008	990'89	1,099	88,809	7,620	165,594
Carrying amount	7.1. 1.1	700	,	c c c c c c c c c c c c c c c c c c c	i i

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7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.6 Transada (Cont'd)
- 7.6.5 Notes to the Financial Statements (Cont'd)

4. Property, Plant and Equipment (Cont'd)

(a) The proceeds on disposal of the property, plant and equipment of Transada during the financial year are as follows:

	<	FYE 31 D	ecember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Total consideration	500	3,000	55,000	-
Less: Disposal to a related company	(500)			
Proceeds on disposal		3,000	55,000	

5. Inventories

	<> As at 31 December>					
	2011	2010	2009	2008		
	RM	RM	RM	RM		
At cost						
Packing materials	5,940	-	_	_		
Finished goods	2,898	48,798	35,960	30,200		
	8,838	48,798	35,960	30,200		

6. Trade Receivables

Transada's normal trade credit terms range from 60 to 90 days. Other credit terms are assessed and approved on a case by case basis.

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

Analysis of the trade receivables ageing are as follows:

	<	As at 31 D	ecember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Neither past due nor				
impair		500		

Transada has not made any impairment on all its receivables as the Directors are of the view that there has not been significant change in credit quality and these amounts are still considered receivable



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.6 Transada (Cont'd)

7.6.5 Notes to the Financial Statements (Cont'd)

7. Other Receivables

	<	As at 31 D	ecember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Other receivables	200	13,770	13,770	_
Deposits	5,075	75	24,285	24,285
	5,275	13,845	38,055	24,285

Other receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

Transada has not recognised any impairment loss on certain receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered receivable.

8. Amount Owing by/to Related Companies

- (a) Amount owing by related companies represents trade transactions.
- (b) Amount owing to related companies represents unsecured, interest free advances and repayable on demand.

9. Share Capital

	<> As at 31 December>					
	2011	2010	2009	2008		
	RM	RM	RM	RM		
Ordinary shares of RM1.00 each:						
Authorised	500,000	500,000	500,000	500,000		
Issued and fully paid up						
At 1 January	320,000	320,000	320,000	20,000		
Issued during the			,	•		
financial year	-	-	-	300,000		
At 31 December	320,000	320,000	320,000	320,000		

10. Amount Owing to Directors

This represents unsecured, interest free advances and repayable on demand.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.6 Transada (Cont'd)

7.6.5 Notes to the Financial Statements (Cont'd)

11. Deferred Tax Liability

	<>			
	2011	2010	2009	2008
	RM	RM	RM	RM
At 1 January Relating to origination and reversal of	5,400	7,000	13,000	-
temporary differences Under provision in prior	(5,400)	(3,500)	(6,000)	13,000
years	-	1,900	-	-
At 31 December		5,400	7,000	13,000

The components and movements of deferred tax liability of Transada are as follows:

	Accelerated	
	capital allowance	Total
	RM	RM
	Kivi	KIVI
At 1 January 2011	5,400	5,400
Relating to origination and reversal of temporary	,	,
differences	(5,400)	(5,400)
At 31 December 2011	-	
At 1 January 2010	7,000	7,000
Relating to origination and reversal of temporary	,	.,
differences	(3,500)	(3,500)
Under provision in prior year	1,900	1,900
At 31 December 2010	5,400	5,400
At 1 January 2009	13,000	13,000
Relating to origination and reversal of temporary		ŕ
differences	(6,000)	(6,000)
At 31 December 2009	7,000	7,000
At 1 January 2008	-	-
Relating to origination and reversal of temporary		
differences	13,000	13,000
At 31 December 2008	13,000	13,000

12. Trade Payables

Transada's normal trade credit term is 60 days. Other credit terms are assessed and approved on a case to case basis.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.6 Transada (Cont'd)
- 7.6.5 Notes to the Financial Statements (Cont'd)

13. Other Payables

	<	<> As at 31 December>			
	2011	2010	2009	2008	
	RM	RM	RM	RM	
Other payables		-	102,037	1,573	
Accruals	4,495	14,831	6,860	7,135	
	4,495	14,831	108,897	8,708	

14. Dividend

	FYE2011 RM
An interim single tier tax exempt dividend of 93.75% on 320,000 ordinary shares of RM1.00 each in respect of financial year ended 31 December 2011	
was paid on 30 November 2011	300,000

15. Deferred Tax Assets

				FYE2011 RM
Accelerated capital allowand	e			(17,990)
Unabsorbed tax losses				83,414
Unutilised capital allowance	;			8,938
				74,362
	<	As at 31 I	December	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Aecelerated capital				
allowance	(17,990)	-	-	-
Unabsorbed tax losses	83,414	-	-	~
Unutilised capital				
allowance	8,938	-		
_	74,362	_		

The unused tax losses, unutilised capital allowance and reinvestment allowance are available indefinitely for offset against future taxable profits of Transada in which those items arose.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.6 Transada (Cont'd)
- 7.6.5 Notes to the Financial Statements (Cont'd)

16. Related Party Disclosures

(a) In addition to the transactions detailed elsewhere in the financial statements, Transada had the following transactions with related parties during the financial year.

	<> FYE 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Sales	55,080	853,578	1,401,933	1,298,484
Purchases	-	506,988	-	-
Rental of factory &				
machinery	60,000	60,000	60,000	66,980
Rental income	-	-		90,000
Disposal of property, plant				
and equipment	581	_		

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

(b) Information regarding outstanding balances arising from related party transactions is disclosed in Note 7.6.5.8 to the financial statements.

17. Financial Instruments

Certain comparative figures have not been presented for 31 December 2009 and 2008 by virtue of the exception given in paragraph 44AA of FRS 7, which is effective for annual periods beginning on and after 1 January 2010.

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 5 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loan and receivables	Financial liabilities at amortised cost	Total
2011			
Financial Assets			
Other receivables	5,275	-	5,275
Amount owing by related companies	147,814	-	147,814
Cash and bank balances	55,027	-	55,027
Total financial assets	208,116	-	208,116



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.6 Transada (Cont'd)
- 7.6.5 Notes to the Financial Statements (Cont'd)
 - 17. Financial Instruments (Cont'd)
 - (a) Classification of financial instruments (Cont'd)

	Loan and receivables RM	Financial liabilities at amortised cost RM	Total RM
2011 Financial Liability			
Other payables	_	4,495	4,495
Total financial liability	-	4,495	4,495
2010 Financial Assets Trade receivables	500	_	500
Other receivables	13,845	-	13,845
Amount owing by related companies	561,934	-	561,934
Cash and bank balances	66,453	<u> </u>	66,453
Total financial assets	642,732	-	642,732
Financial Liabilities			
Trade payables	-	34,560	34,560
Other payables	-	14,831	14,831
Amount owing to related companies	-	276	276
Total financial liabilities	-	49,667	49,667
2009			
Financial Assets			
Other receivables	38,055	-	38,055
Amount owing by related companies Cash and bank balances	693,580	=	693,580
Total financial assets	89,460 821,095		89,460 821,095
Total Infancial assets	021,093		621,093
Financial Liabilities			
Trade payables	-	153,630	153,630
Other payables Total financial liabilities	<u>-</u>	108,897 262,527	108,897 262,527
Total infancial natifices		202,321	202,321
2008 Financial Assets			
Other receivables	24,285	_	24,285
Amount owing by related companies	308,023	- -	308,023
Cash and bank balances	84,664	-	84,664
Total financial assets	416,972	-	416,972
Financial Liabilities			
Trade payables	_	28,210	28,210
Other payables	_	8,708	8,708
Amount owing to related companies	-	4,480	4,480
Total financial liabilities		41,398	41,398
•			



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.6 Transada (Cont'd)

7.6.5 Notes to the Financial Statements (Cont'd)

17. Financial Instruments (Cont'd)

(b) Capital risk management objectives and policies

Transada's management manages its capital to ensure that Transada is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of Transada consists of issued capital, cash and cash equivalents and bank borrowings.

(c) Financial risk management objectives and policies

Transada's financial risk management policy is to ensure that adequate financial resources are available for the development of Transada's operations whilst managing its financial risks, including credit risk, market risk, liquidity and cash flows risk. Transada operates within clearly defined guidelines that are approved by the Board and Transada's policy is not to engage in speculative transactions.

(d) Credit risk

Transada does not expose to credit risk at the end of the reporting date.

(e) Liquidity risk

Transada's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. Transada monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Transada can be required to pay.

	On demand or within 1 year RM	Total RM
2011		
Financial Liability		
Other payables	4,495	4,495
Total financial liability	4,495	4,495
2010		
Financial Liabilities		
Trade payables	34,560	34,560
Other payables	14,831	14,831
Amount owing to related companies	276	276
Total financial liabilities	49,667	49,667



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.6 Transada (Cont'd)
- 7.6.5 Notes to the Financial Statements (Cont'd)

17. Financial Instruments (Cont'd)

(e) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Total RM
2009		
Financial Liabilities		
Trade payables	153,630	153,630
Other payables	108,897	108,897
Total financial liabilities	262,527	262,527
2008 Financial Liabilities		
Amount owing to Directors	5,751	5,751
Trade payables	28,210	28,210
Other payables	8,708	8,708
Amount owing to related companies	4,480	4,480
Total financial liabilities	47,149	47,149

(f) Market risks

(i) Foreign currency exchange risk

Transada's exposure to foreign currency exchange risk is minimal.

(ii) Interest rate risk

Transada do not expose to interest rate risk at the end of the reporting date.

- (g) Fair values of financial assets and financial liabilities
 - (i) The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amount derived from such methods and valuation technique are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of amount estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.6 Transada (Cont'd)
- 7.6.5 Notes to the Financial Statements (Cont'd)

17. Financial Instruments (Cont'd)

(g) Fair values of financial assets and financial liabilities (Cont'd)

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of Transada are as follows:

 Cash and cash equivalents, trade and other receivables, intercompany balances, trade and other payables and short-term borrowings

The carrying amounts are considered to approximate the fair values as they are within the normal credit terms or they have short-term maturity period.

18. Reclassification

Certain reclassification have been reclassified where necessary to conform with the current financial year's presentation as follows:

	As per audited financial statements	Reclassification	As restated
	RM	RM	RM
2008			
Statement of financial position			
Current assets			
Trade receivables	308,023	(308,023)	-
Other receivables	26,691	(2,406)	24,285
Amount owing by related companies	-	308,023	308,023
Tax recoverable		2,406	2,406
Current liabilities Other payables Amount owing to related companies	13,188	(4,480) 4,480	8,708 4,480
Statement of comprehensive income			
Administration expenses	(6,199)	(402,958)	(409,157)
Other operating expenses	(402,780)	402,780	-
Finance costs	(178)	178	



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.6 Transada (Cont'd)
- 7.6.5 Notes to the Financial Statements (Cont'd)

18. Reclassification (Cont'd)

	As per audited		
	financial statements	Reclassification	A a mastata i
	RM	RM	As restated RM
2009			
Statement of Financial Position			
Current assets			
Trade receivables	693,580	(693,580)	-
Short term deposits	86,147	(86,147)	-
Cash and bank balances	3,313	86,147	89,460
Amount owing by related companies	-	693,580	693,580
Current liabilities			
Other payables	89,310	19,587	108,897
Bank overdrawn	19,587	(19,587)	, <u></u>
	, , , , , , , , , , , , , , , , , , ,		
Statement of Comprehensive			
Income			
Administration expenses	(6,555)	(413,620)	(420,175)
Other operating expenses	(413,483)	413,483	(120,175)
Finance cost	(137)	137	_
i mance cost	(157)	157	
2010			
Statement of Cash Flows			
Decrease/(Increase) in working			
capital			
Other payables	(74,479)	(19,587)	(94,066)
Offici payaoles	(17,71)	(15,507)	(54,000)
Cash and cash equivalents at			
beginning of the financial			
year	69,873	19,587	89,460
•			,



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.7 HHP

7.7.1 Statement of Comprehensive Income

The following statement of comprehensive income is based on the audited financial statements of HHP for the FYE2008, FYE2009, FYE2010 and FYE2011.

		<	FYE 31 D	ecember	>	
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>	
Revenue	7.7.5.1	-	1,164,926	862,264	668,460	
Cost of sales		-	(1,027,277)	(736,814)	(577,060)	
Gross profit	-		137,649	125,450	91,400	
Other operating income		637	-	-	-	
Administration expenses		(19,344)	(221,633)	(127,075)	(96,260)	
Finance cost	7.7.5.2	-	-	-	(464)	
Loss before taxation	7.7.5.3	(18,707)	(83,984)	(1,625)	(5,324)	
Taxation	7.7.5.4	-	-	-	-	
Net loss for the financial year, representing total comprehensive income for the financial year	-	(18,707)	(83,984)	(1,625)	(5,324)	



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.7 HHP (Cont'd)

7.7.2 Statement of Financial Position

The following statement of financial position is based on the audited financial statements of HHP as at 31 December 2008, 2009, 2010 and 2011.

		< As at 31 December			
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
Non-Current Asset					
Property, plant and equipment	7.7.5.5	-	57,267	87,971	124,773
Current Assets					
Inventories Deposits Amount owing by	7.7.5.6	7,000	7,000	66,204 27,100	120,431 27,100
related companies Tax recoverable Cash and bank	7.7.5.7	100,000 12,572	133,298 58,672	221,199 58,672	103,474 57,895
balances		6,797 126,369	89,153 288,123	42,507 415,682	416 309,316
Total Assets	,	126,369	345,390	503,653	434,089
Equity					
Share capital (Accumulated loss)/ Retained profits	7.7.5.8	85,100 (231)	85,100 108,476	85,100 192,460	85,100 194,085
Total Equity	,	84,869	193,576	277,560	279,185
Current Liabilities					
Trade payables Other payables Amount owing to	7.7.5.9 7.7.5.10	1,500	26,006	57,278 38,393	22,295 37,177
holding company Amount owing to	7.7.5.11	40,000	-	-	-
related companies Amount owing to a	7.7.5.7	-	125,808	95,415	5,490
Director Total Liabilities	7.7.5.12	41,500	151,814	35,007 226,093	89,942 154,904
Total Equity and					
Liabilities		126,369	345,390	503,653	434,089



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.7 HHP (Cont'd)

7.7.3 Statement of Change in Equity

The following statement of changes in equity is based on the audited financial statements of HHP as at 31 December 2008, 2009, 2010 and 2011.

		Share	Retained Profit / (Accumulated	
	Note	Capital RM	Loss) RM	Total RM
At 1 January 2008		85,100	199,409	284,509
Net loss for the financial year, representing total comprehensive income for the financial year		-	(5,324)	(5,324)
At 31 December 2008	-	85,100	194,085	279,185
At 1 January 2009		85,100	194,085	279,185
Net loss for the financial year, representing total comprehensive income for the financial year		-	(1,625)	(1,625)
At 31 December 2009	-	85,100	192,460	277,560
At 1 January 2010		85,100	192,460	277,560
Net loss for the financial year, representing total comprehensive income for the financial year		-	(83,984)	(83,984)
At 31 December 2010	-	85,100	108,476	193,576
At 1 January 2011		85,100	108,476	193,576
Net loss for the financial year, representing total comprehensive income for the financial year		-	(18,707)	(18,707)
Dividend	7.7.5.13	-	(90,000)	(90,000)
At 31 December 2011	-	85,100	(231)	84,869



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.7 HHP (Cont'd)

7.7.4 Statement of Cash Flows

The following statement of cash flows is based on the audited financial statements of HHP for the FYE2008, FYE2010 and FYE2011.

	<	FYE 31 D	ecember	>
			<restated></restated>	<restated></restated>
	2011	2010	2009	2008
	RM	RM	RM	RM
	1071	101	1011	Idvi
Cash Flows From Operating Activities				
Loss before taxation	(18,707)	(83,984)	(1,625)	(5,324)
Adjustments for: Depreciation of property, plant and equipment Gain on disposal of	7,303	29,567	36,802	37,103
property, plant and equipment Property, plant and	(260)	-	-	-
equipment written off Interest expense	5,724 (377)	1,137	_	- 464
Operating (loss)/profit before				
working capital changes	(6,317)	(53,280)	35,177	32,243
Decrease/(Increase) in working capital				
Inventories	_	66,204	54,227	(41,520)
Trade receivables	_	_		5,940
Deposits	_	20,100	_	3,273
Trade payables	_	(57,278)	34,983	(103,409)
Other payables	(24,506)	(12,387)	1,216	(37,372)
Amount owing to holding	(24,500)	(12,507)	1,210	(37,372)
	40,000			
company	40,000	-	-	-
Amount owing by/to related	(48,010)	118,294	(27,800)	110.740
companies Amount owing to a Director	(48,010)			110,749
Amount owing to a Director	(22.51()	(35,007)	(54,935)	39,639
0.1	(32,516)	99,926	7,691	(22,700)
Cash generated from operating	(2.0, 02.2)	40.040	12.000	0.515
activities	(38,833)	46,646	42,868	9,543
Interest received	377	-	-	-
Interest paid	-	-	-	(464)
Tax refund	46,100	-	-	-
Tax paid	-	-	(777)	(10,494)
	46,477		(777)	(10,958)
Net cash from/(used in)				
operating activities	7,644	46,646	42,091	(1,415)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.7 HHP (Cont'd)
- 7.7.4 Statement of Cash Flows (Cont'd)

	<> FYE 31 December>			
	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
Cash Flows From Financing Activities Repayment of hire purchase				
payable Dividend paid	(90,000)	<u>-</u>	<u> </u>	(2,809)
Net cash used in investing activities	(90,000)			(2,809)
Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at	(82,356)	46,646	42,091	(4,224)
beginning of the financial year	89,153	42,507	416	4,640
Cash and cash equivalents at end of the financial year	6,797	89,153	42,507	416
Cash and cash equivalents at end of the financial year comprises:				
Cash and bank balances	6,797	89,153	42,507	416



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.7 HHP (Cont'd)
- 7.7.5 Notes to the Financial Statements
 - 1. Revenue

This represents invoiced value of services rendered and goods sold less returns and discounts, if any.

2. Finance Cost

	<> FYE 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Interest expense on:				
Hire purchase interest				464

3. Loss before Taxation

(a) Loss before taxation is derived after charging:

	<>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Auditors'				
remuneration				
- Current year	1,500	2,500	2,500	2,200
 Under provision 				
in prior year	-	-	50	-
Depreciation of property, plant				
and equipment	7,303	29,567	36,802	37,103
Property, plant and equipment written				
off	5,724	1,137	-	-
Rental of factory	-	96,000	-	65,810
Gain on disposal of property, plant and				
equipment	(260)	-	-	-
Interest income	(377)			-



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.7 HHP (Cont'd)
- 7.7.5 Notes to the Financial Statements (Cont'd)

3. Loss before Taxation (Cont'd)

(b) Staff Costs

	<	<> FYE 31 December>			
	2011	2010	2009	2008	
	RM	RM	RM	RM	
Staff costs (excluding Directors)	_	50,129	54,456	53,872	

Included in the total staff costs above are contributions made to the Employee Provident Fund under a defined contribution plan for HHP amounting to Nil (2010: RM955; 2009: Nil; 2008: Nil).

(c) Key Management Personnel Compensation

HHP have no other members of key management personnel apart from the Board of Directors.

4. Taxation

No provision for taxation for the financial year was made as HHP was in a tax loss position.

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of HHP is as follows:

	<	FYE 31 De	cember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Loss before taxation	(18,707)	(83,984)	(1,625)	(5,324)
Taxation at statutory tax rate of 25% (2010/2009:				
25%; 2008: 26%)	(4,677)	(20,996)	(406)	(1,384)
Expenses not deductible				
for tax purposes	955	1,323	406	1,384
Deferred tax assets not				
recognised	3,722	19,673		
Tax expense for the				
financial year			-	-
		_		

HHP has unused tax losses and unutilised capital allowances amounting to RM155,000 (2010: RM185,400; 2009: RM115,200; 2008: RM132,000) available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.7 HHP (Cont'd)
- 7.7.5 Notes to the Financial Statements (Cont'd)

5. Property, Plant and Equipment

	Furniture and fittings and office equipment	Motor vehicles RM	Plant and machinery RM	Total RM
2011				
Cost At 1 January 2011			146,060	146,060
Disposal to a related company	-	-	(126,400)	(126,400)
Written off	_	_	(19,660)	(19,660)
At 31 December 2011	-	-	-	(12,000)
Accumulated depreciation				
At 1 January 2011	_	_	88,793	88,793
Charge for the financial year	-	-	7,303	7,303
Disposal to a related company	-	-	(82,160)	(82,160)
Written off		-	(13,936)	(13,936)
At 31 December 2011		-	-	-
Carrying amount				
At 31 December 2010	_	-		
2010				
Cost				
At 1 January 2010	36,521	20,000	334,508	391,029
Written off	(36,521)	(20,000)	(188,448)	(244,969)
At 31 December 2010		-	146,060	146,060
Accumulated depreciation				
At 1 January 2010	33,800	19,999	249,259	303,058
Charge for the financial year	2,579	-	26,988	29,567
Written off	(36,379)	(19,999)	(187,454)	(243,832)
At 31 December 2010			88,793	88,793
Garanta a manata				
Carrying amount At 31 December 2010	_	_	57,267	57,267
-				,



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.7 HHP (Cont'd)
- 7.7.5 Notes to the Financial Statements (Cont'd)
 - 5. Property, Plant and Equipment (Cont'd)

2009 Cost At 1 January/ 31 December 2009 36,521 20,000 334,508 391,029 Aecumulated depreciation At 1 January 2009 30,450 19,999 215,807 266,256 Charge for the financial year 3,350 - 33,452 36,802 At 31 December 2009 33,800 19,999 249,259 303,058 Carrying amount At 31 December 2009 2,721 1 85,249 87,971 2008 Cost At 1 January/ 31 December 2008 36,521 20,000 334,508 391,029 Accumulated depreciation At 1 January 2008 26,798 19,999 182,356 229,153 Charge for the financial year 3,652 - 33,451 37,103 At 31 December 2008 30,450 19,999 215,807 266,256 Carrying amount At 31 December 2008 6,071 1 118,701 124,773		Furniture and fittings and office equipment RM	Motor vehicles RM	Plant and machinery RM	Total RM
At 1 January/ 31 December 2009 Aecumulated depreciation At 1 January 2009 At 30,450 Charge for the financial year At 31 December 2009 Carrying amount At 31 December 2009 2,721 Accumulated depreciation At 1 January/ 31 December 2008 Accumulated depreciation At 1 January/ 31 December 2008 Accumulated depreciation At 1 January 2008 Accumulated depreciation At 1 January 2008 Charge for the financial year At 3,652 Charge for the financial year At 3 January 2008 Accumulated depreciation At 1 January 2008 Accumulated depreciation At 1 January 2008 Accumulated depreciation At 31 December 2008 Accumulated depreciation At 31 December 2008 Accumulated depreciation At 31 December 2008 Accumulated depreciation At 31 December 2008 At 31 December 2008	2009				
31 December 2009 36,521 20,000 334,508 391,029	·				
Aecumulated depreciation At 1 January 2009 30,450 19,999 215,807 266,256 Charge for the financial year 3,350 - 33,452 36,802 At 31 December 2009 33,800 19,999 249,259 303,058 Carrying amount At 31 December 2009 2,721 1 85,249 87,971 2008 Cost At 1 January/ 31 December 2008 36,521 20,000 334,508 391,029 Accumulated depreciation At 1 January 2008 26,798 19,999 182,356 229,153 Charge for the financial year 3,652 - 33,451 37,103 At 31 December 2008 30,450 19,999 215,807 266,256 Carrying amount					
At 1 January 2009 Charge for the financial year At 31 December 2009 Carrying amount At 31 December 2009 Accumulated depreciation At 1 January 2008 Charge for the financial year At 31 December 2008 At 31 December 2008 Accumulated depreciation At 1 January 2008 Charge for the financial year At 31 December 2008	31 December 2009	36,521	20,000	334,508	391,029
At 1 January 2009 Charge for the financial year At 31 December 2009 Carrying amount At 31 December 2009 Accumulated depreciation At 1 January 2008 Charge for the financial year At 31 December 2008 At 31 December 2008 Accumulated depreciation At 1 January 2008 Charge for the financial year At 31 December 2008	Accumulated depreciation				
Carrying amount 33,800 19,999 249,259 303,058 Carrying amount 2,721 1 85,249 87,971 2008 Cost 4t 1 January/ 31 December 2008 36,521 20,000 334,508 391,029 Accumulated depreciation At 1 January 2008 26,798 19,999 182,356 229,153 Charge for the financial year 3,652 - 33,451 37,103 At 31 December 2008 30,450 19,999 215,807 266,256 Carrying amount		30,450	19,999	215,807	266,256
Carrying amount At 31 December 2009 2,721 1 85,249 87,971 2008 Cost At 1 January/ 31 December 2008 36,521 20,000 334,508 391,029 Accumulated depreciation At 1 January 2008 26,798 19,999 182,356 229,153 Charge for the financial year 3,652 - 33,451 37,103 At 31 December 2008 30,450 19,999 215,807 266,256 Carrying amount	Charge for the financial year	3,350	-	33,452	36,802
At 31 December 2009 2,721 1 85,249 87,971 2008 Cost At 1 January/ 31 December 2008 36,521 20,000 334,508 391,029 Accumulated depreciation At 1 January 2008 26,798 19,999 182,356 229,153 Charge for the financial year 3,652 - 33,451 37,103 At 31 December 2008 30,450 19,999 215,807 266,256 Carrying amount	At 31 December 2009	33,800	19,999	249,259	303,058
Cost At 1 January/ 31 December 2008 36,521 20,000 334,508 391,029 Accumulated depreciation At 1 January 2008 26,798 19,999 182,356 229,153 Charge for the financial year 3,652 - 33,451 37,103 At 31 December 2008 30,450 19,999 215,807 266,256		2,721	1	85,249	87,971
Accumulated depreciation 26,798 19,999 182,356 229,153 Charge for the financial year 3,652 - 33,451 37,103 At 31 December 2008 30,450 19,999 215,807 266,256	Cost				
At 1 January 2008 26,798 19,999 182,356 229,153 Charge for the financial year 3,652 - 33,451 37,103 At 31 December 2008 30,450 19,999 215,807 266,256 Carrying amount	•	36,521	20,000	334,508	391,029
Charge for the financial year 3,652 - 33,451 37,103 At 31 December 2008 30,450 19,999 215,807 266,256 Carrying amount					
At 31 December 2008 30,450 19,999 215,807 266,256 Carrying amount		•	19,999	182,356	
Carrying amount			-		
• •	At 31 December 2008	30,450	19,999	215,807	266,256
At 31 December 2008 6.071 1 118.701 124.773					
3,412	At 31 December 2008	6,071	1	118,701	124,773

(a) The proceeds on disposal of the property, plant and equipment of the Company during the financial year are as follows:

	<> FYE 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Total consideration Less: Disposal to a	44,500	-	-	-
related company	(44,500)	-	-	_
Proceeds on				
disposal			-	



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.7 HHP (Cont'd)
- 7.7.5 Notes to the Financial Statements (Cont'd)
 - 6. Inventories

<>				
2011	2010	2009	2008	
RM	RM	RM	RM	
-	-	34,424	32,851	
-	-	22,427	8,320	
		9,353	79,260	
		66,204	120,431	
	RM - - - -	2011 2010 RM RM	2011 2010 2009 RM RM RM 34,424 22,427 - 9,353	

7. Amount Owing by/to Related Companies

- (a) Amount owing by related companies represent trade transactions.
- (b) Amount owing to related companies represent unsecured, interest free advances and repayable on demand except for an amount of Nil (2010: RM123,289; 2009: RM95,415; 2008: Nil) which is made up of trade transactions.

8. Share CapitaI

	<	As at 31 L	December	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Ordinary shares of RM1.00 each:				
Authorised	100,000	100,000	100,000	100,000
Issued and fully paid up	85,100	85,100	85,100	85,100

9. Trade Payables

HHP's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case to case basis.

10. Other Payables

	<	<> As at 31 December>			
	2011	2011 2010 2009			
	RM	RM	RM	RM	
Other payables	-	-	18,000	18,566	
Accruals	1,500	26,006	20,393	18,611	
	1,500	26,006	38,393	37,177	



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.7 HHP (Cont'd)
- 7.7.5 Notes to the Financial Statements (Cont'd)

11. Amount Owing to Holding Company

- (a) The holding company is Hiap Huat Holdings Berhad, a company incorporated in Malaysia.
- (b) This represents unsecured, interest free advances and repayable on demand.

12. Amount Owing to a Director

This represents unsecured interest free advances and repayable on demand.

13. Dividend

FYE2011 RM

An interim single tier tax exempt dividend of 105.758% on 85,100 ordinary shares of RM1.00 each in respect of financial year ended 31 December 2011 was paid on 30 November 2011

90,000

14. Deferred Tax Assets

Deferred tax assets have not been recognised in respect of the following temporary differences:

	<> As at 31 December>			
	2011	2010	2009	2008
	RM	RM	RM	RM
Unused tax losses Unutilised capital	152,233	150,181	100,539	100,539
allowances	2,976	35,176	14,614	31,476
Accelerated capital allowances	155,209	(44,967) 140,390	(53,456) 61,697	(68,609) 63,406



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.7 HHP (Cont'd)
- 7.7.5 Notes to the Financial Statements (Cont'd)

15. Related Party Disclosures

(a) In addition to the transactions detailed elsewhere in the financial statements, HHP had the following transactions with related parties during the financial year.

	<> FYE 31 December>			
	2011 RM	2010 RM	2009 RM	2008 RM
Sale of goods Purchases of	-	133,298	950,321	721,505
goods	-	123,289	95,415	-
Rental of factory Disposal of property, plant	-	•	-	5,490
and equipment	44,240	-		

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

(b) Information regarding outstanding balances arising from related party transactions is disclosed in Notes 7.7.5.7 and 7.7.5.11 to the financial statements.

16. Financial Instruments

Certain comparative figures have not been presented for 31 December 2009 and 2008 by virtue of the exception given in paragraph 44AA of FRS 7, which is effective for annual periods beginning on and after 1 January 2010.

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 5 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
2011			
Financial Assets			
Deposits	7,000	-	7,000
Amount owing by related			
companies	100,000	-	100,000
Cash and bank balances	6,797	-	6,797
Total financial assets	113,797	-	113,797



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.7 HHP (Cont'd)
- 7.7.5 Notes to the Financial Statements (Cont'd)
 - 16. Financial Instruments (Cont'd)
 - (a) Classification of financial instruments (Cont'd)

Pinancial Liabilities Cother payables - 1,500 1,500		Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Other payables - 1,500 1,500 Amount owing to holding company - 40,000 40,000 Total financial liabilities - 41,500 41,500 2010 Financial Assets Deposits 7,000 - 7,000 Amount owing by related companies 133,298 - 133,298 Cash and bank balances 89,153 - 89,153 Total financial assets 229,451 - 229,451 Financial Liabilities Other payables - 26,006 26,006 Amount owing to related companies - 125,808 125,808 Total financial liabilities - 151,814 151,814 2009 Financial Assets 221,199 - 27,100 Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities <t< td=""><td>2011</td><td></td><td></td><td></td></t<>	2011			
Amount owing to holding company			1.500	1 500
Company		-	1,500	1,300
Total financial liabilities		_	40.000	40 000
Prinancial Assets Poposits Poposits		_ _		
Financial Assets Deposits 7,000 - 7,000 Amount owing by related companies 133,298 - 133,298 Cash and bank balances 89,153 - 89,153 Total financial assets 229,451 - 229,451 Financial Liabilities Other payables - 26,006 26,006 Amount owing to related companies - 125,808 125,808 Total financial liabilities - 151,814 151,814 2009 Financial Assets Deposits 27,100 - 27,100 Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35	Total Illiancial Habilities		71,500	41,500
Financial Assets Deposits 7,000 - 7,000 Amount owing by related companies 133,298 - 133,298 Cash and bank balances 89,153 - 89,153 Total financial assets 229,451 - 229,451 Financial Liabilities Other payables - 26,006 26,006 Amount owing to related companies - 125,808 125,808 Total financial liabilities - 151,814 151,814 2009 Financial Assets Deposits 27,100 - 27,100 Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35	2010			
Deposits				
Amount owing by related companies 133,298 - 133,298 Cash and bank balances 89,153 - 89,153 Total financial assets 229,451 - 229,451 Financial Liabilities Other payables - 26,006 26,006 Amount owing to related companies - 125,808 125,808 Total financial liabilities - 151,814 151,814 2009 Financial Assets Deposits 27,100 - 27,100 Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to related companies - 95,415 95,415		7.000		7,000
companies 133,298 - 133,298 Cash and bank balances 89,153 - 89,153 Total financial assets 229,451 - 229,451 Financial Liabilities Other payables - 26,006 26,006 Amount owing to related companies - 125,808 125,808 Total financial liabilities - 151,814 151,814 2009 Financial Assets 27,100 - 27,100 Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415	•	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Financial Liabilities 229,451 - 229,451 Other payables - 26,006 26,006 Amount owing to related companies - 125,808 125,808 Total financial liabilities - 151,814 151,814 2009 Financial Assets 27,100 - 27,100 Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities - 57,278 57,278 Other payables - 57,278 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415		133,298	-	133,298
Financial Liabilities Other payables - 26,006 26,006 Amount owing to related companies - 125,808 125,808 Total financial liabilities - 151,814 151,814 2009 Financial Assets Deposits 27,100 - 27,100 Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415		89,153	-	
Other payables - 26,006 26,006 Amount owing to related companies - 125,808 125,808 Total financial liabilities - 151,814 151,814 2009 Financial Assets Deposits 27,100 - 27,100 Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415	Total financial assets	229,451	-	229,451
Other payables - 26,006 26,006 Amount owing to related companies - 125,808 125,808 Total financial liabilities - 151,814 151,814 2009 Financial Assets Deposits 27,100 - 27,100 Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415				
Amount owing to related companies	Financial Liabilities			
companies - 125,808 125,808 Total financial liabilities - 151,814 151,814 2009 Financial Assets Deposits 27,100 - 27,100 Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415		-	26,006	26,006
Total financial liabilities				
2009 Financial Assets Deposits 27,100 - 27,100 Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415				
Financial Assets Deposits 27,100 - 27,100 Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415	Total financial liabilities		151,814	151,814
Financial Assets Deposits 27,100 - 27,100 Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415				
Deposits 27,100 - 27,100 Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415				
Amount owing by related companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 Other payables - 38,393 Amount owing to a Directors - 35,007 Amount owing to related companies - 95,415 95,415		27 100		27 100
companies 221,199 - 221,199 Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415		27,100	-	27,100
Cash and bank balances 42,507 - 42,507 Total financial assets 290,806 - 290,806 Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415		221 100	_	221 100
Financial Liabilities 290,806 - 290,806 Financial Liabilities - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415			-	
Financial Liabilities Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415				
Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415	Total Intanolal assocs	270,000		270,000
Trade payables - 57,278 57,278 Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415	Financial Liabilities			
Other payables - 38,393 38,393 Amount owing to a Directors - 35,007 35,007 Amount owing to related companies - 95,415 95,415		-	57.278	57.278
Amount owing to a Directors - 35,007 35,007 Amount owing to related - 95,415 95,415				
Amount owing to related companies - 95,415 95,415		_	-	•
•			•	
Total financial liabilities - 226,093 226,093			95,415	95,415
	Total financial liabilities		226,093	226,093



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.7 HHP (Cont'd)

7.7.5 Notes to the Financial Statements (Cont'd)

16. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

		Financial	
	Loans and	liabilities at	
	receivables	amortised cost	Total
	RM	RM	RM
2008			
Financial Assets			
Deposits	27,100	-	27,100
Amount owing by related			
companies	103,474	-	103,474
Cash and bank balances	416	-	416
Total financial assets	130,990	-	130,990
Financial Liabilities			
Trade payables	-	22,295	22,295
Other payables	-	37,177	37,177
Amount owing to related			
companies	-	5,490	5,490
Amount owing to a Director	-	89,942	89,942
Total financial liabilities		154,904	154,904

(b) Capital risk management objectives and policies

HHP's management manages its capital to ensure that HHP is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of HHP consists of issued capital, cash and cash equivalents and bank borrowings.

(c) Financial risk management objectives and policies

HHP's financial risk management policy is to ensure that adequate financial resources are available for the development of HHP's operations whilst managing its financial risks, including credit risk, market risk, liquidity and cash flows risk. HHP operates within clearly defined guidelines that are approved by the Board and HHP's policy is not to engage in speculative transactions.

(d) Credit risk

HHP does not expose to credit risk at the end of the reporting date.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.7 HHP (Cont'd)

7.7.5 Notes to the Financial Statements (Cont'd)

16. Financial Instruments (Cont'd)

(e) Liquidity risk

HHP's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. HHP monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which HHP can be required to pay.

	On demand or within 1 year RM	Total RM
2011		
Financial Liabilities		
Other payables	1,500	1,500
Amount owing to holding company	40,000	40,000
Total financial liabilities	41,500	41,500
2010		
Financial Liabilities		
Other payables	26,006	26,006
Amount owing to related companies	125,808	125,808
Total financial liabilities	151,814	151,814
2009		
Financial Liabilities		
Trade payables	57,278	57,278
Other payables	38,393	38,393
Amount owing to a Director	35,007	35,007
Amount owing to related companies	95,415	95,415
Total financial liabilities	226,093	226,093
2008		
Financial Liabilities		
Trade payables	22,295	22,295
Other payables	37,177	37,177
Amount owing to a Director	89,942	89,942
Amount owing to related companies	5,490	5,490
Total financial liabilities	154,904	154,904



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.7 HHP (Cont'd)
- 7.7.5 Notes to the Financial Statements (Cont'd)
 - 16. Financial Instruments (Cont'd)
 - (f) Market risks
 - (i) Foreign currency exchange risk

HHP's exposure to foreign currency exchange risk is minimal.

(ii) Interest rate risk

HHP do not expose to interest rate risk at the end of the reporting date.

- (g) Fair values of financial assets and financial liabilities
 - (i) The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amount derived from such methods and valuation technique are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of amount estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of HHP are as follows:

 Cash and cash equivalents, trade and other receivables, intercompany balances, trade and other payables and short-term borrowings

The carrying amounts are considered to approximate the fair values as they are within the normal credit terms or they have short-term maturity period.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.7 HHP (Cont'd)

7.7.5 Notes to the Financial Statements (Cont'd)

17. Reclassification

Certain reclassification have been reclassified where necessary to conform with the current financial year's presentation as follows:

	As per audited financial statements RM	Reclassification RM	As restated RM
2008			
Statements of Financial Position			
Current Assets			
Trade receivables	103,474	(103,474)	-
Deposits	84,995	(57,895)	27,100
Amount owing by a related companies	-	103,474	103,474
Tax recoverable	-	57,895	57,895
C . It like			
Current Liabilities	12 667	(5.400)	27 177
Other payables	42,667	(5,490)	37,177
Amount owing to a related companies	-	5,490	5,490
Statements of Comprehensive Income			
Administration expenses	(4,611)	(91,649)	(96,260)
Other operating expenses	(91,534)	91,534	-
Finance cost	(579)	115	464
2009			
Statements of Financial Position			
Current Assets	221 100	(221 100)	
Trade receivables	221,199 85,772	(221,199)	-
Other receivables	83,772	(85,772)	27 100
Deposits	-	27,100	27,100
Amount owing by a related company Tax recoverable	-	221,199 58,672	221,199 58,672
Tax recoverable	-	30,072	30,072
Current Liabilities			
Trade payables	152,693	(95,415)	57,278
Amount owing to a related companies	-	95,415	95,415
Statements of Comprehensive Income			
Administration expenses	(4,850)	(122,225)	(127,075)
Other operating expenses	(121,966)	121,966	-
Finance costs	(259)	259	



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.8 HHS

7.8.1 Statement of Comprehensive Income

The following statement of comprehensive income is based on the audited financial statements of HHS for the FPE2008, FYE2009, FYE2010 and FYE2011.

		<> FYE/FPE 31 December>			
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
Revenue		-	-	-	-
Administration expenses		(2,681)	(2,745)	(1,929)	(2,533)
Net loss for the financial year/period, representing total comprehensive income for the financial year/period	7.8.5.1	(2,681)	(2,745)	(1,929)	(2,533)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.8 HHS (Cont'd)

7.8.2 Statement of Financial Position

The following statement of financial position is based on the audited financial statements of HHS as at 31 December 2008, 2009, 2010 and 2011.

		< As at 31 December			
	Note	2011 RM	2010 RM	<restated> 2009 RM</restated>	<restated> 2008 RM</restated>
Current Asset					
Amount owing by holding company Amount owing by a	7.8.5.2	93,793	93,793	-	-
related company	7.8.5.3	_	-	96,038	97,867
Total Asset		93,793	93,793	96,038	97,867
Equity Share capital Accumulated losses Total Equity	7.8.5.4	100,000 (9,888) 90,112	100,000 (7,207) 92,793	100,000 (4,462) 95,538	100,000 (2,533) 97,467
Current Liability					
Accruals Amount owing to a		1,000	1,000	500	400
related company	7.8.5.3	2,681			
Total Liability		3,681	1,000	500	400
Total Equity and Liability		93, <u>793</u>	93,793	96,038	97,867



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.8 HHS (Cont'd)

7.8.3 Statement of Change in Equity

The following statement of changes in equity is based on the audited financial statements of HHS as at 31 December 2008, 2009, 2010 and 2011.

	Share Capital RM	Accumulated Losses RM	Total RM
At date of incorporation	100,000	-	100,000
Net loss for the financial period, representing total comprehensive income for the financial period	-	(2,533)	(2,533)
At 31 December 2008	100,000	(2,533)	97,467
At 1 January 2009	100,000	(2,533)	97,467
Net loss for the financial year, representing total comprehensive income for the financial year	-	(1,929)	(1,929)
At 31 December 2009	100,000	(4,462)	95,538
At 1 January 2010	100,000	(4,462)	95,538
Net loss for the financial year, representing total comprehensive income for the financial year	-	(2,745)	(2,745)
At 31 December 2010	100,000	(7,207)	92,793
At 1 January 2011	100,000	(7,207)	92,793
Net loss for the financial year, representing total comprehensive income for the financial year	-	(2,681)	(2,681)
At 31 December 2011	100,000	(9,888)	90,112



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.8 HHS (Cont'd)

7.8.4 Statement of Cash Flows

The following statement of cash flows is based on the audited financial statements of HHS for the FPE2008, FYE2009, FYE2010 and FYE2011.

	FYE2011 RM	FYE2010 RM	<restated> FYE2009 RM</restated>	<restated> FPE2008 RM</restated>
Cash Flows From Operating Activities Loss before taxation	(2,681)	(2,745)	(1,929)	(2,533)
Decrease/(Increase) in working capital Accruals Amount owing by/to a related company	2,681 2,681	500 2,245 2,745	100 1,829 1,929	(97,867) (97,467)
Net increase/(decrease) in cash and cash equivalents Cash and cash equivalents at heginning of the financial year/date of incorporation	-	-	-	(100,000)
Cash and cash equivalents at end of the financial year/period				-



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.8 HHS (Cont'd)
- 7.8.5 Notes to the Financial Statements

1. Net Loss for the Financial Year/Period

Net loss for the financial year/period is derived after charging:

	FYE2011 RM	FYE2010 RM	FYE2009 RM	FPE2008 RM
Auditors' remuneration - Current year - Under provision in	1,000	1,000	500	400
prior year			100	

2. Amount Owing by Holding Company

- (a) The holding company is Hiap Huat Holdings Berhad., a company incorporated in Malaysia.
- (b) This represents unsccured, interest free advances and repayable on demand.

3. Amount Owing by/to a Related Company

These represent unsecured, interest free advances and repayable on demand.

4. Share Capital

	< 	As at 31 De	cember	>
	2011	2010	2009	2008
	RM	RM	RM	RM
Ordinary shares of RM1.00 each:				
Authorised	100,000	100,000	100,000	100,000
Issued and fully paid up	100,000	100,000	100,000	100,000

5. Related Party Disclosures

- (a) HHS does not have any transaction with related party during the financial year.
- (b) Information regarding outstanding balances arising from related party transactions is disclosed in Notes 7.8.5.2 and 7.8.5.3 to the financial statements.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.8 HHS (Cont'd)
- 7.8.5 Notes to the Financial Statements (Cont'd)

6. Financial Instruments

Certain comparative figures have not been presented for 31 December 2009 and 2008 by virtue of the exception given in paragraph 44AA of FRS 7, which is effective for annual periods beginning on and after 1 January 2010.

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 5 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
	RM	RIVI	RM
2011			
Financial Asset			
Amount owing by holding	02.702		02 702
Company Total financial asset	93,793 93,793	-	93,793
Total financial asset	93,/93	-	93,793
Financial Liabilities			
Accruals	-	1,000	1,000
Amount owing to a related		•	•
company		2,681	2,681
Total financial liabilities	-	3,681	3,681
Financial Asset Amount owing by holding company Total financial asset	93,793 93,793		93,793 93,793
Financial Liability			
Accruals		1,000	1,000
Total financial liability	-	1,000	1,000
2009 Financial Asset Amount owing by a related company	96,038		96,038
Total financial asset	96,038	-	96,038
Financial Liability			
Accruals	-	500	500
Total financial liability	-	500	500
•			



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.8 HHS (Cont'd)
- 7.8.5 Notes to the Financial Statements (Cont'd)
 - 6. Financial Instruments (Cont'd)
 - (a) Classification of financial instruments (Cont'd)

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
2008			
Financial Asset Amount owing by a related			
company	97,867	-	97,867
Total financial asset	97,867	-	97,867
Financial Liability Accruals Total financial liability	-	400 400	400 400

(b) Capital risk management objectives and policies

HHS's management manages its eapital to ensure that HHS is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of HHS consists of issued capital, cash and eash equivalents and bank borrowings.

(c) Financial risk management objectives and policies

HHS's financial risk management policy is to ensure that adequate financial resources are available for the development of HHS's operations whilst managing its financial risks, including credit risk, market risk, liquidity and cash flows risk. HHS operates within clearly defined guidelines that are approved by the Board and HHS's policy is not to engage in speculative transactions.

(d) Credit risk

HHS does not expose to credit risk at the end of the reporting date.

(e) Liquidity risk

HHS does not expose to liquidity risk at the end of the reporting date.

- (f) Market risks
 - (i) Foreign currency exchange risk

HHS's exposure to foreign currency exchange risk is minimal.

(ii) Interest rate risk

HHS do not expose to interest rate risk at the end of the reporting date.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.8 HHS (Cont'd)
- 7.8.5 Notes to the Financial Statements (Cont'd)

6. Financial Instruments (Cont'd)

(g) Fair values of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities, as reported in the financial statements, approximate their respective fair values.

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

7. Reclassification

Certain reclassification have been reclassified where necessary to conform with the current financial year's presentation as follows:

	As per audited financial statements RM	Reclassification RM	As restated RM
2008			
Statements of Financial Position			
Current Assets			
Amount owing by holding company	97,867	(97,867)	-
Amount owing by a related company		97,867	97,867
2009			
Statements of Financial Position			
Current Assets			
Amount owing by holding company	96,038	(96,038)	-
Amount owing by a related company		96,038	96,038



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.9 HHC Labuan

7.9.1 Statement of Comprehensive Income

The following statement of comprehensive income is based on the audited financial statements of HHC Labuan for the FPE2009, FYE2010 and FYE2011.

	Note	FYE2011 RM	FYE2010 RM	FPE2009 RM
Revenue		-	-	-
Administration expenses		(2,681)	(3,013)	(2,760)
Net loss for the financial year/period, representing total comprehensive				
income for the financial year/period	7.9.5.1	(2,681)	(3,013)	(2,760)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.9 HHC Labuan (Cont'd)

7.9.2 Statement of Financial Position

The following statement of financial position is based on the audited financial statements of HHC Labuan as at 31 December 2009, 2010 and 2011.

Note RM RM RM RM		<> As at 31 December>				
Current Assets Other receivables 7.9.5.2 7,000 7,000 740 Amount owing by a Director 7.9.5.3 - - - 7,000 Total Assets 7,000 7,000 7,740 Equity Share capital 7.9.5.4 10,000 10,000 10,000 Accumulated losses (8,454) (5,773) (2,760) Total Equity 1,546 4,227 7,240 Current Liabilities Amount owing to a related company 7.9.5.5 4,454 1,773 - Aceruals 1,000 1,000 500 Total Liabilities 5,454 2,773 500			2011	2010	2009	
Other receivables 7.9.5.2 7,000 7,000 740 Amount owing by a Director 7.9.5.3 - - - 7,000 7,740 Equity Share capital 7.9.5.4 10,000 10,000 10,000 Accumulated losses (8,454) (5,773) (2,760) Total Equity 1,546 4,227 7,240 Current Liabilities Amount owing to a related empany 7.9.5.5 4,454 1,773 - Aceruals 1,000 1,000 500 Total Liabilities 5,454 2,773 500		Note	RM	RM	RM	
Total Assets 7.9.5.3 - - 7,000 7,740	Current Assets					
Total Assets 7,000 7,000 7,740 Equity Share capital 7.9.5.4 10,000 10,000 10,000 10,000 Accumulated losses (8,454) (5,773) (2,760) Total Equity 1,546 4,227 7,240 Current Liabilities Amount owing to a related company 7.9.5.5 4,454 1,773 - Aceruals 1,000 1,000 500 Total Liabilities 5,454 2,773 500	Other receivables	7.9.5.2	7,000	7,000	740	
Equity Share capital 7.9.5.4 10,000 10,000 10,000 Accumulated losses (8,454) (5,773) (2,760) Total Equity 1,546 4,227 7,240 Current Liabilities Amount owing to a related company 7.9.5.5 4,454 1,773 - Accruals 1,000 1,000 500 Total Liabilities 5,454 2,773 500	Amount owing by a Director	7.9.5.3	_		7,000	
Share capital 7.9.5.4 10,000 10,000 10,000 Accumulated losses (8,454) (5,773) (2,760) Total Equity 1,546 4,227 7,240 Current Liabilities Amount owing to a related eompany 7.9.5.5 4,454 1,773 - Aceruals 1,000 1,000 500 Total Liabilities 5,454 2,773 500	Total Assets		7,000	7,000	7,740	
Accumulated losses (8,454) (5,773) (2,760) Total Equity 1,546 4,227 7,240 Current Liabilities Amount owing to a related eompany 7.9.5.5 4,454 1,773 - Aceruals 1,000 1,000 500 Total Liabilities 5,454 2,773 500	Equity					
Total Equity 1,546 4,227 7,240 Current Liabilities Amount owing to a related eompany 7.9.5.5 4,454 1,773 - Aceruals 1,000 1,000 500 Total Liabilities 5,454 2,773 500	Share capital	7.9.5.4	10,000	10,000	10,000	
Current Liabilities Amount owing to a related company 7.9.5.5 4,454 1,773 - Aceruals 1,000 1,000 500 Total Liabilities 5,454 2,773 500	Aceumulated losses		(8,454)	(5,773)	(2,760)	
Amount owing to a related eompany 7.9.5.5 4,454 1,773 - Aceruals 1,000 1,000 500 Total Liabilities 5,454 2,773 500	Total Equity	-	1,546	4,227	7,240	
eompany 7.9.5.5 4,454 1,773 - Aceruals 1,000 1,000 500 Total Liabilities 5,454 2,773 500	Current Liabilities					
Aceruals 1,000 1,000 500 Total Liabilities 5,454 2,773 500	Amount owing to a related					
Total Liabilities 5,454 2,773 500	eompany	7.9.5.5	4,454	1,773	-	
	Aceruals	_	1,000	1,000	500	
Total Equity and Liabilities 7,000 7,000 7,740	Total Liabilities		5,454	2,773	500	
	Total Equity and Liabilities		7,000	7,000	7,740	



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.9 HHC Labuan (Cont'd)

7.9.3 Statement of Change in Equity

The following statement of changes in equity is based on the audited financial statements of HHC Labuan as at 31 December 2009, 2010 and 2011.

	Share Capital RM	Accumulated Losses RM	Total RM
At date of incorporation	10,000	-	10,000
Net loss for the financial period, representing total comprehensive income for the financial period	-	(2,760)	(2,760)
At 31 December 2009	10,000	(2,760)	7,240
At 1 January 2010	10,000	(2,760)	7,240
Net loss for the financial year, representing total comprehensive income for the financial year	-	(3,013)	(3,013)
At 31 December 2010	10,000	(5,773)	4,227
At 1 January 2011	10,000	(5,773)	4,227
Net loss for the financial year, representing total comprehensive income for the financial year	-	(2,681)	(2,681)
At 31 December 2011	10,000	(8,454)	1,546



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.9 HHC Labuan (Cont'd)

7.9.4 Statement of Cash Flows

The following statement of cash flows is based on the audited financial statements of HHC Labuan for the FPE2009, FYE2010 and FYE2011.

	FYE2011 RM	FYE2010 RM	FPE2009 RM
Cash Flows From Operating Activities Net loss for the financial year/period	(2,681)	(3,013)	(2,760)
Decrease/(Increase) in working capital			
Other receivables	-	740	(740)
Accruals	-	500	500
Amount owing by Directors	-	-	(7,000)
Amount owing to a related company	2,681	1,773	<u>-</u>
	2,681	3,013	(7,240)
Net cash used in operating activities			(10,000)
Net decreased in cash and cash			
equivalents	-	-	(10,000)
Cash and cash equivalents at beginning of the financial year/date of			
incorporation		-	10,000
Cash and cash equivalents at end of the			
financial year/pcriod			



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.9 HHC Labuan (Cont'd)

7.9.5 Note to Financial Statements

1. Net Loss for Financial Year/Period

Net loss for the financial year/period is derived after charging:

	FYE2011	FYE2010 RM	FPE2009 RM
Auditors' remuneration Preliminary expenses	1,000	1,000	500 1,800

2. Other Receivables

Other receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

3. Amount Owing by a Director

This represents unsecured, interest free advances and repayable on demand.

4. Share Capital

	~	As at 31 December -	
	2011	2010	2009
	RM	RM	RM
Ordinary shares of RM1.00 each:			
Authorised	100,000	100,000	100,000
	10.000	10.000	10.000
Issued and fully paid up	10,000	10,000	10,000

As at 31 December

5. Amount Owing to a Related Company

This represents unsecured, interest free advances and repayable on demand.

6. Related Parties Disclosures

- (a) HHC Labuan does not have any transaction with related party during the financial year/period.
- (b) Information regarding outstanding balances arising from related party transactions is disclosed in Note 7.9.5.5 to the financial statements.



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.9 HHC Labuan (Cont'd)
- 7.9.5 Note to Financial Statements (Cont'd)

7. Financial Instruments

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exception given in paragraph 44AA of FRS 7, which is effective for annual periods beginning on and after 1 January 2010.

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 5 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	receivables RM	amortised cost RM	Total RM
2011			
Financial Asset			
Other receivables	7,000	<u> </u>	7,000
Total financial asset	7,000		7,000
Financial Liabilities			
Amount owing to a related			
company	-	4,454	4,454
Accruals		1,000	1,000
Total financial liabilities		<u>5,4</u> 54	5,454
2010			
Financial Asset			
Other receivables	7,000	-	7,000
Total financial asset	7,000		7,000
Financial Liabilities			
Amount owing to a related			
company	_	1,773	1,773
Accruals	_	1,000	1,000
Total financial liabilities	-	2,773	2,773
2009			
Financial Assets			
Other receivables	740	_	740
Amount owing by a Director	7,000	-	7,000
Total financial assets	7,740	~	7,740
Financial Liability			
Accruals	_	500	500
Total financial liability		500	500



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

- 7.9 HHC Labuan (Cont'd)
- 7.9.5 Note to Financial Statements (Cont'd)
 - 7. Financial Instruments (Cont'd)
 - (b) Capital risk management objectives and policies

HHC Labuan's management manages its capital to ensure that HHC Labuan is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of HHC Labuan consists of issued capital, cash and cash equivalents and bank borrowings.

(e) Financial risk management objectives and policies

HHC Labuan's financial risk management policy is to ensure that adequate financial resources are available for the development of HHC Labuan's operations whilst managing its financial risks, including credit risk, market risk, liquidity and cash flows risk. HHC Labuan operates within clearly defined guidelines that are approved by the Board and HHC Labuan's policy is not to engage in speculative transactions.

(d) Credit risk

HHC Labuan does not expose to credit risk at the end of the reporting date.

(e) Liquidity risk

HHC Labuan does not expose to liquidity risk at the end of the reporting date.

- (f) Market risks
 - (i) Foreign currency exchange risk

HHC Labuan's exposure to foreign currency exchange risk is minimal.

(ii) Interest rate risk

HHC Labuan do not expose to interest rate risk at the end of the reporting date.

(g) Fair values of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities, as reported in the financial statements, approximate their respective fair values.

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



8. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

Save for the implementation of the Listing Scheme as mentioned in Section 2, there were no significant events between the date of the last financial statements used in the preparation of the report and the date of the report which will affect materially the contents of this report.

Yours faithfully,

UHY

Firm Number: AF 1411 Chartered Accountants

TEE GUAN PIAN

Approved Number: 1886/05/14 (J/PH)

Chartered Accountant

KUALA LUMPUR

Company No. Co 1000 W	Company	No.:	881993-M
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APPENDIX I

HHH for FPE2012



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UHY (AF1411) Chartered Accountants Suite 11.05, Level 11 The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF HIAP HUAT HOLDINGS BERHAD

(Company No.: 881993-M) (Incorporated in Malaysia)

Report on the Consolidated Financial Statements

Phone +60 3 2279 3088 Fax +60 3 2279 3099 Email uhykl@uhy.com.my Web www.uhy.com.my

We have audited the consolidated financial statements of Hiap Huat Holdings Berhad and its subsidiary companies (collectively "the Group"), which comprise the Group's consolidated statement of financial position as at 30 June 2012 and the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows of the Group for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 48.

Directors' Responsibility for the Consolidated 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 Malaysian Financial Reporting Standards in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion to you, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conduct 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 consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation of consolidated 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 Group'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 consolidated financial statements.

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



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INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF HIAP HUAT HOLDINGS BERHAD (CONT'D)

(Company No.: 881993-M) (Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as of 30 June 2012 and of its financial performance and cash flows for the financial period then ended. Our report is made available exclusively to you for the purpose of the Company's proposed corporate exercise on the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

UHY

Firm Number: AF 1411 Chartered Accountants

TEE GUAN PIAN

Approved Number: 1886/05/14 (J/PH)

Chartered Accountant

KUALA LUMPUR

0 2 OCT 2012

Company	No.:	881993-M
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APPENDIX II

HHH for FYE2011



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HIAP HUAT HOLDINGS BERHAD

(Company No.: 881993-M) (Incorporated in Malaysia)

Report on the Financial Statements

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088 Fax +60 3 2279 3099 Email uhykl@uhy.com.my Web www.uhy.com.my

We have audited the financial statements of Hiap Huat Holdings Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 66.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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.



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HIAP HUAT HOLDINGS BERHAD (CONT'D)

(Company No.: 881993-M) (Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

- (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) We are satisfied that the accounts 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.
- (c) Our audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HIAP HUAT HOLDINGS BERHAD (CONT'D)

(Company No.: 881993-M) (Incorporated in Malaysia)

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.

UHY

Firm Number: AF 1411 Chartered Accountants

TEE GUAN PIAN

Approved Number: 1886/05/14 (J/PH)

Chartered Accountant

KUALA LUMPUR 0 4 JUN 2012 Company No.: 881993-M

12. ACCOUNTANT'S REPORT (Cont'd)

APPENDIX III

HHH for FPE2010



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HIAP HUAT HOLDINGS SDN. BHD.

(Company No.: 881993-M) (Incorporated in Malaysia)

Report on the Financial Statements

UHY (AF1411) Chartered Accountants Suite 11.05, Level 11 The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur

Phone +60 3 2279 3088 Fax +60 3 2279 3099 Email uhykl@uhy.com.my Web www.uhy.com.my

We have audited the financial statements of Hiap Huat Holdings Sdn. Bhd., which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 54.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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.



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HIAP HUAT HOLDINGS SDN. BHD. (CONT'D)

(Company No.: 881993-M) (Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial period 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 followings:

- (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) We are satisfied that the accounts 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.
- (c) Our audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HIAP HUAT HOLDINGS SDN. BHD. (CONT'D)

(Company No.: 881993-M) (Incorporated in Malaysia)

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.

UHY

Firm Number: AF 1411 Chartered Accountants

TEE GUAN PIAN

Approved Number: 1886/05/12 (J/PH)

Chartered Accountant

KUALA LUMPUR

2 3 MAY 2011

Com	npany No.: 881993-M
12.	ACCOUNTANT'S REPORT (Cont'd)
	APPENDIX IV
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UHY (AF1411)
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF HIAP HUAT CHEMICALS SDN. BHD.

(Company No.: 326067-D) (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Hiap Huat Chemicals Sdn. Bhd., which comprise the statement of financial position as at 31 December 2011 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 52.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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.



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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF HIAP HUAT CHEMICALS SDN. BHD. (CONT'D)

(Company No.: 326067-D) (Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2011 and of its 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 that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member 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.

UHY

Firm Number: AF 1411 Chartered Accountants

TEE GUANTIAN

Approved Number: 1886/05/14 (J/PH)

Chartered Accountant

KUALA LUMPUR 0 4 JUN 2012 Company No.: 881993-M

12. ACCOUNTANT'S REPORT (Cont'd)

APPENDIX V

HHC for FYE2010



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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF HIAP HUAT CHEMICALS SDN. BHD.

(Company No.: 326067 - D) (Incorporated in Malaysia)

Report on the Financial Statements

UHY (AF1411)
Chartered Accountants
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Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088 Fax +60 3 2279 3099 Email uhykl@uhy.com.my Web www.uhy.com.my

We have audited the financial statements of Hiap Huat Chemicals Sdn. Bhd., which comprise the statement of financial position as at 31 December 2010 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 53.

The financial statements of the Company as at 31 December 2009 were audited by another auditor whose reports dated 2 June 2010 expressed an unqualified opinion on the financial statements.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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.



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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF HIAP HUAT CHEMICALS SDN. BHD. (CONT'D)

(Company No.: 326067 - D) (Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its 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 that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member 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.

UHY

Firm Number: AF 1411 Chartered Accountants

TEE GUAN PIAN

Approved Number: 1886/05/12 (J/PH)

Chartered Accountant

KUALA LUMPUR

2 3 MAY 2011

Company	No.:	881993-M
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APPENDIX VI

HHC for FYE2009

MICHAEL NG & ASSOCIATES

Chartered Accountants

Audit Firm No. AF 1101

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

HIAP HUAT CHEMICALS SDN BHD Company No. 326067 - D (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the consolidated financial statements of Hiap Huat Chemicals Sdn Bhd, which comprise the balance sheet as at 31 December 2009 of the Group and of the Company, and the income statements, statement of changes in equity and cash flow statements for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 28.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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.



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*Affiliates Office: Singapore * Hong Kong

Company No.: 881993-M

12. ACCOUNTANT'S REPORT (Cont'd)

MICHAEL NG & ASSOCIATES

Chartered Accountants

HIAP HUAT CHEMICALS SDN BHD

Company No. 326067 - D (Incorporated in Malaysia)

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity 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 of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanation required by us for those purposes.
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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.

Michael Ng & Associates Chartered Accountants

[AF: 1101]

Kuala Lumpur

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Approval No. 772/06/10 (J) Principal Company No.: 881993-M

12. ACCOUNTANT'S REPORT (Cont'd)

APPENDIX VII

HHC for FYE2008

MICHAEL NG & ASSOCIATES

Chartered Accountants

Audit Firm No. AF 1101

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

HIAP HUAT CHEMICALS SDN BHD

Company No. 326067 - D (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the consolidated financial statements of Hiap Huat Chemicals Sdn Bhd, which comprise the balance sheet as at 31 December 2008 of the Group and of the Company, and the income statements, statement of changes in equity and cash flow statements for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 27.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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.



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·Affiliates Office: Singapore * Hong Kong

MICHAEL NG & ASSOCIATES

Chartered Accountants

HIAP HUAT CHEMICALS SDN BHD

Company No. 326067 - D (Incorporated in Malaysia)

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity 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 of 31 December 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanation required by us for those purposes.
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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.

Michael Ng & Associates Chartered Accountants

[AF: 1101]

Kuala Lumpur 2 2 MAY 2009 Ng Hian Tion

Approval No. 772/06/10 (J)

Principal