

PLASTRADE TECHNOLOGY BERHAD

(Incorporated in Malaysia)

Company No.: 591077-X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

7. PROPERTY, PLANT AND EQUIPMENT

	At 1.1.2011 RM	Additions RM	Disposal RM	Depreciation Charge RM	At 31.12.2011 RM
Net book value					
Freehold land	700,000	-	-	-	700,000
Leasehold land	2,007,331	-	-	(64,783)	1,942,548
Buildings	6,510,680	8,000	-	(190,241)	6,328,439
Plant and machinery	9,934,105	123,786	(321)	(2,379,670)	7,677,900
Furniture, fittings and office equipment	135,215	29,439	(1,560)	(38,120)	124,974
Renovation and electrical installation	59,288	10,250	-	(12,477)	57,061
	19,346,619	171,475	(1,881)	(2,685,291)	16,830,922

	At 1.1.2010 RM	Additions RM	Depreciation Charge RM	At 31.12.2010 RM
Net book value				
Freehold land	700,000	-	-	700,000
Leasehold land	2,072,114	-	(64,783)	2,007,331
Buildings	6,655,741	44,500	(189,561)	6,510,680
Plant and machinery	12,325,890	68,906	(2,460,691)	9,934,105
Furniture, fittings and office equipment	154,863	20,029	(39,677)	135,215
Renovation and electrical installation	71,629	-	(12,341)	59,288
	21,980,237	133,435	(2,767,053)	19,346,619

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

THE GROUP	At Cost	Accumulated Depreciation	Net Book Value
At 31.12.2011	RM	RM	RM
Freehold land	700,000	-	700,000
Leasehold land	2,575,000	(632,452)	1,942,548
Buildings	7,974,574	(1,646,135)	6,328,439
Plant and machinery	25,317,053	(17,639,153)	7,677,900
Furniture, fittings and office equipment	447,808	(322,834)	124,974
Renovation and electrical installation	199,180	(142,119)	57,061
	<u>37,213,615</u>	<u>(20,382,693)</u>	<u>16,830,922</u>
At 31.12.2010	RM	RM	RM
Freehold land	700,000	-	700,000
Leasehold land	2,575,000	(567,669)	2,007,331
Buildings	7,966,574	(1,455,894)	6,510,680
Plant and machinery	25,193,589	(15,259,484)	9,934,105
Furniture, fittings and office equipment	418,369	(283,154)	135,215
Renovation and electrical installation	188,930	(129,642)	59,288
	<u>37,042,462</u>	<u>(17,695,843)</u>	<u>19,346,619</u>

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

In the previous reporting period, plant and machinery of the Group acquired under hire purchase terms were carried at net book value of RM1,109,821.

The net book value of property, plant and equipment pledged as securities for banking facilities granted to the Group as disclosed in Note 22 and 24 are as follows:-

	THE GROUP	
	2011 RM	2010 RM
Freehold land	700,000	700,000
Leasehold land	1,942,548	2,007,331
Buildings	6,328,439	6,510,680
	<u>8,970,987</u>	<u>9,218,011</u>

8. GOODWILL ON CONSOLIDATION

	THE GROUP	
	2011 RM	2010 RM
At cost and net carrying amount At 1 January/31 December	<u>1,792,432</u>	<u>1,792,432</u>

Impairment tests for goodwill

Key assumptions used in value-in-use calculations

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations using discounted cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period and the discount rate applied to the cash flow projections is 5.07%.

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9. AMOUNT OWING BY RELATED COMPANIES

	THE COMPANY	
	2011	2010
	RM	RM
<i>Non-current:-</i>		
<i>Quasi loans</i>		
Subsidiaries	1,320,000	1,320,000
<i>Non-trade related balances</i>		
Subsidiaries	3,493,539	3,554,117
	<u>4,813,539</u>	<u>4,874,117</u>
<i>Current:-</i>		
<i>Non-trade related balances</i>		
Subsidiaries	190,000	190,000
	<u>190,000</u>	<u>190,000</u>
	<u>5,003,539</u>	<u>5,064,117</u>

Quasi loans

Quasi loans represent payments made on behalf of which the settlement is neither planned nor likely to occur in the foreseeable future. These amounts are, in substance, a part of the Company's net investment in the subsidiaries. The quasi loans are stated at cost less accumulated impairment losses, if any.

Non-trade balances

The amounts owing are unsecured, and interest-free.

Non-current portion represents instalments not to be repaid within the next twelve months.

Current portion represents instalments to be repayable on demand.

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10. INVENTORIES

	THE GROUP	
	2011	2010
	RM	RM
At cost:-		
Raw materials	7,750,293	6,525,518
Finished goods	3,936,098	5,443,010
	<u>11,686,391</u>	<u>11,968,528</u>
At net realisable value:-		
Raw materials	306,025	392,653
Finished goods	120,224	317,765
	<u>426,249</u>	<u>710,418</u>
	<u>12,112,640</u>	<u>12,678,946</u>

11. TRADE RECEIVABLES

	THE GROUP	
	2011	2010
	RM	RM
Trade receivables	7,880,173	7,221,248
Less : Allowance for impairment losses	(309,255)	(307,380)
	<u>7,570,918</u>	<u>6,913,868</u>
Allowance for impairment losses:-		
At 1 January	307,380	290,805
Addition during the financial year	1,875	16,575
At 31 December	<u>309,255</u>	<u>307,380</u>

The Group's normal trade credit terms range from 60 to 90 days (2010: 60 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

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12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Other receivables	2,700	9,856	-	-
Deposits	7,950	7,950	-	-
Prepayments	188,507	80,316	-	-
	<u>199,157</u>	<u>98,122</u>	<u>-</u>	<u>-</u>

13. AMOUNT OWING BY RELATED PARTIES

	THE GROUP	
	2011 RM	2010 RM
<i>Current:-</i>		
<i>Trade related balances</i>		
Companies in which certain directors have interests	466,571	396,121
Associate	1,977,499	1,786,965
	<u>2,444,070</u>	<u>2,183,086</u>

The Group's normal credit terms granted to the above related parties is 90 days (2010: 90 days).

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14. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits have been pledged with licensed banks as securities for banking facilities granted to the Group as disclosed in Note 22 to the financial statements.

The effective interest rate of fixed deposits at the end of the reporting period range from 1.80% to 3.80% (2010: 1.66% to 3.00%) per annum. The fixed deposits have maturity period of 365 days (2010: 365 days).

15. SHARE CAPITAL

	THE COMPANY			
	2011 Number of shares	2010	2011 RM	2010 RM
ORDINARY SHARES OF RM0.10 EACH				
AUTHORISED	<u>250,000,000</u>	<u>250,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>
ISSUED AND FULLY PAID- UP				
At 1 January	150,400,000	150,150,000	15,040,000	15,015,000
Allotment during the financial year	-	250,000	-	25,000
At 31 December	<u>150,400,000</u>	<u>150,400,000</u>	<u>15,040,000</u>	<u>15,040,000</u>

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16. RESERVES

(a) Share Premium

The movements in the share premium of the Group and the Company are as follows:-

	THE GROUP AND THE COMPANY	
	2011 RM	2010 RM
Balance at 1 January	6,082,453	6,222,172
Share issuance expenses	-	(139,719)
Balance at 31 December	<u>6,082,453</u>	<u>6,082,453</u>

The share premium is not distributable by way of dividends and may be utilised in the manner as set out in Section 60 (3) of the Companies Act 1965.

(b) Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign associate and is not distributable by way of dividends.

17. LONG-TERM BORROWINGS

	THE GROUP	
	2011 RM	2010 RM
Term loans (Note 24)	<u>130,753</u>	<u>265,148</u>

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18. DEFERRED TAX LIABILITY

	THE GROUP	
	2011 RM	2010 RM
Balance at 1 January	1,336,000	1,397,000
Recognised in profit or loss (Note 28)	(30,000)	(61,000)
Balance at 31 December	<u>1,306,000</u>	<u>1,336,000</u>

Deferred tax liability arises as a result of :

	THE GROUP	
	2011 RM	2010 RM
Deferred tax liability:-		
- An excess of carrying value over tax base	1,809,000	2,048,000
Gross deferred tax liability	<u>1,809,000</u>	<u>2,048,000</u>
Deferred tax asset:-		
- Unutilised capital allowances	(352,000)	(561,000)
- Unabsorbed business losses	(151,000)	(151,000)
Gross deferred tax asset	<u>(503,000)</u>	<u>(712,000)</u>
Net deferred tax liability	<u>1,306,000</u>	<u>1,336,000</u>

19. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 60 days (2010: 30 to 60 days). Other credit terms are granted on a case-by-case basis.

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20. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Other payables	430,348	485,506	540	1,593
Accrued expenses	244,839	282,820	65,000	60,000
Payroll liabilities	48,696	57,438	-	-
	<u>723,883</u>	<u>825,764</u>	<u>65,540</u>	<u>61,593</u>

21. AMOUNT OWING TO A RELATED PARTY

	2011 RM	2010 RM
<i>Current:-</i>		
<i>Trade related balances</i>		
A company in which certain directors have interests	<u>-</u>	<u>604,121</u>

22. SHORT-TERM BORROWINGS

	THE GROUP	
	2011 RM	2010 RM
Bankers' acceptances	11,178,828	6,841,432
Hire purchase payables (Note 23)	-	213,828
Term loans (Note 24)	135,183	378,118
Trust receipts	3,782,188	9,991,371
	<u>15,096,199</u>	<u>17,424,749</u>

Bankers' acceptances are drawn for a period of up to 148 days (2010: 148 days) which are renewable on maturity. Interest is charged at rates ranging from 1.92% to 5.35% (2010: 1.15% to 4.98%) per annum.

Trust receipts are drawn for a period of up to 169 days (2010: 150 days) which are renewable on maturity. Interest is charged at rates ranging from 7.10% to 7.90% (2010: 6.80% to 7.80%) per annum.

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22. SHORT-TERM BORROWINGS (CONT'D)

Bankers' acceptances and trust receipts are secured as follows:-

- (i) by legal charges over the Group's and a related party's landed properties;
- (ii) by a pledge of the fixed deposits of the Group;
- (iii) by joint and several guarantees from certain directors of the Group;
- (iv) by guarantee from Credit Guarantee Corporation Malaysia; and
- (v) by corporate guarantee from the Company.

23. HIRE PURCHASE PAYABLES

	THE GROUP	
	2011	2010
	RM	RM
Minimum hire purchase payment:-		
- not later than one year	-	225,555
	<hr/>	<hr/>
	-	225,555
Less: Future finance charges	-	(11,727)
	<hr/>	<hr/>
Present value of hire purchase payable	-	213,828
	<hr/>	<hr/>

The present value of hire purchase liabilities repayable as follows:-

	THE GROUP	
	2011	2010
	RM	RM
Current:-		
- not later than one year (Note 22)	-	213,828
	<hr/>	<hr/>

In the previous reporting period, the hire purchase liabilities bore interest ranging from 4.67% to 7.60% per annum.

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24. TERM LOANS

	THE GROUP	
	2011	2010
	RM	RM
Current portion:-		
- repayable within one year (Note 22)	135,183	378,118
Non-current portion:-		
- repayable between one and two years	130,753	136,695
- repayable between two and five years	-	128,453
Total non-current portion (Note 17)	<u>130,753</u>	<u>265,148</u>
	<u>265,936</u>	<u>643,266</u>

The term loans of the Group bear interest at rates ranging from 2.50% to 8.15% (2010: 2.50% to 8.15%) per annum.

The term loans are secured as follows:-

- (i) by legal charges over the Group's landed properties;
- (ii) by joint and several guarantees from certain directors of the Group;
- (iii) by guarantee from Credit Guarantee Corporation Malaysia; and
- (iv) by corporate guarantee from the Company.

25. BANK OVERDRAFTS

Bank overdrafts of the Group bear interest at rates ranging from 7.85% to 8.40% (2010: 7.30% to 7.55%) per annum and are secured in the same manner as the short-term borrowings as disclosed in Note 22 to the financial statements.

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26. REVENUE

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Sale of goods	55,908,787	52,890,629	-	-
Management fees	-	-	120,000	120,000
	<u>55,908,787</u>	<u>52,890,629</u>	<u>120,000</u>	<u>120,000</u>

27. PROFIT/(LOSS) BEFORE TAX

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit/(Loss) before tax is arrived at after charging/(crediting):-				
Audit fee	47,000	45,000	15,000	15,000
Depreciation of property, plant and equipment	2,685,291	2,767,053	-	-
Directors' fees	47,000	42,000	47,000	42,000
Directors' non-fee emoluments	413,560	460,008	12,600	12,000
Impairment loss on trade receivables	1,875	16,575	-	-
Interest expense:-				
- bank overdrafts	107,850	154,789	-	-
- banker acceptances	267,085	447,017	-	-
- hire purchase	11,727	41,482	-	-
- term loans	25,535	66,056	-	-
- trust receipts	611,089	253,685	-	-
Loss on disposal of equipment	1,631	-	-	-
Loss on foreign exchange - realised	37,319	56,305	-	-
Staff costs:				
- salaries, wages, bonuses and allowances	3,083,813	3,388,340	-	-
- defined contribution plan	266,361	299,855	-	-

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27. PROFIT/(LOSS) BEFORE TAX (CONT'D)

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Gain on foreign exchange - realised	(26,353)	(46,198)	-	-
Interest income:-				
- loans and receivables financial assets	(55,589)	(58,595)	(129,565)	(125,187)
Rental income	<u>(96,000)</u>	<u>(96,000)</u>	<u>-</u>	<u>-</u>

28. TAX EXPENSE

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Malaysian Income Tax				
- Current year	24,000	85,000	7,000	11,000
- (Over)/Under provision in prior years	(10,848)	(33,267)	1,512	(510)
Foreign tax				
- Current year	133,605	130,336	-	-
	<u>146,757</u>	<u>182,069</u>	<u>8,512</u>	<u>10,490</u>
Deferred taxation (Note 18)				
- Relating to reversal of temporary differences	(19,000)	(114,000)	-	-
- (Over)/Under provision in prior years	(11,000)	53,000	-	-
	<u>(30,000)</u>	<u>(61,000)</u>	<u>-</u>	<u>-</u>
	<u>116,757</u>	<u>121,069</u>	<u>8,512</u>	<u>10,490</u>

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28. TAX EXPENSE (CONT'D)

Subject to agreement with the tax authorities, at the end of the reporting period, the unutilised capital allowances, reinvestment allowances and unabsorbed business losses of the Group are as follows:

	THE GROUP	
	2011 RM	2010 RM
Unutilised capital allowances	1,406,000	2,244,000
Unutilised reinvestment allowances	8,586,000	8,500,000
Unabsorbed business losses	600,000	600,000
	<u>10,592,000</u>	<u>11,344,000</u>

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

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit/(Loss) before tax	<u>269,433</u>	<u>(138,962)</u>	<u>23,452</u>	<u>31,599</u>
Malaysian tax at statutory rate	67,358	(34,741)	6,000	7,900
Tax effects of:-				
Effect of foreign tax rate in foreign jurisdiction	9,247	17,590	-	-
Non-deductible expenses	83,585	118,487	33,391	34,397
Non-taxable income	(21,585)	-	(32,391)	(31,297)
(Over)/Under provision of Malaysian Income Tax in prior years	(10,848)	(33,267)	1,512	(510)
(Over)/Under provision of deferred tax in prior years	(11,000)	53,000	-	-
	<u>116,757</u>	<u>121,069</u>	<u>8,512</u>	<u>10,490</u>

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29. EARNINGS/(LOSS) PER SHARE

	THE GROUP	
	2011	2010
Earnings/(Loss) attributable to owners of the Company (RM)	<u>152,676</u>	<u>(260,031)</u>
Weighted average number of ordinary shares:-		
Issued ordinary shares at 1 January	150,400,000	150,150,000
Effect of new ordinary shares issued	-	232,877
Weighted average number of ordinary shares at 31 December	<u>150,400,000</u>	<u>150,382,877</u>
Basic earnings/(loss) per share (sen)	<u>0.10</u>	<u>(0.17)</u>

The diluted earnings/(loss) per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

30. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Fixed deposits with licensed banks (Note 14)	2,027,752	2,510,192	-	-
Cash and bank balances	3,152,847	2,646,858	191,833	112,563
Bank overdrafts (Note 25)	(796,250)	(2,428,346)	-	-
	<u>4,384,349</u>	<u>2,728,704</u>	<u>191,833</u>	<u>112,563</u>

As disclosed in Note 14 to the financial statements, fixed deposits of the Group totalling RM2,027,752 (2010: RM2,510,192) that have been pledged to banks for banking facilities granted to certain subsidiaries are not available for general use of the Group other than to meet the obligations under the banking facilities.

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31. DIRECTORS' REMUNERATION

- (a) The aggregate amounts of emoluments received and receivable by directors of the Group and of the Company during the financial year are as follows:-

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Executive directors:				
- non-fee emoluments	400,960	448,008	-	-
- allowance	3,000	3,000	3,000	3,000
Non-executive directors:				
- fee	47,000	42,000	47,000	42,000
- allowance	9,600	9,000	9,600	9,000
	<u>460,560</u>	<u>502,008</u>	<u>59,600</u>	<u>54,000</u>

- (b) Details of directors' emoluments of the Group and of the Company received/receivable for the financial year in bands of RM50,000 are as follows:-

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
Executive directors:-				
RM1 – RM50,000	-	-	2	2
RM150,001 – RM200,000	1	-	-	-
RM200,001 – RM250,000	1	2	-	-
Non-executive directors:-				
Below RM50,000	4	3	4	3
	<u>6</u>	<u>5</u>	<u>6</u>	<u>5</u>

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32. RELATED PARTY DISCLOSURES

- (a) The Group and the Company had the following transactions with related parties during the financial year:-

	THE COMPANY	
	2011 RM	2010 RM
<i>Subsidiaries</i>		
Management fee received/receivable	<u>120,000</u>	<u>120,000</u>
	THE GROUP	
	2011 RM	2010 RM
<i>Associate</i>		
Sales of goods	2,786,287	2,505,025
<i>Companies in which certain directors have interests</i>		
Purchase of goods	5,308,017	4,942,126
Sales of goods	7,624,827	6,291,351
Rental received/receivable	<u>96,000</u>	<u>96,000</u>

- (b) Key management personnel compensation

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Short-term employee benefits	417,600	454,000	59,600	54,000
Contribution to a defined contribution plan	42,960	48,008	-	-
	<u>460,560</u>	<u>502,008</u>	<u>59,600</u>	<u>54,000</u>

33. CONTINGENT LIABILITY

	THE COMPANY	
	2011 RM	2010 RM
Unsecured:		
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	<u>40,800,807</u>	<u>45,817,150</u>

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34. OPERATING SEGMENTS

(a) BY BUSINESS SEGMENT:-

2011

	Resin Compound For Wires And Cables RM	Resin Compound For Other Industries RM	Others RM	Eliminations RM	Consolidated RM
SEGMENT REVENUE					
Revenue from external customers	33,641,145	22,267,642	-	-	55,908,787
Inter-segment revenue	4,220,885	2,138,129	120,000	(6,479,014)	-
Total revenue	<u>37,862,030</u>	<u>24,405,771</u>	<u>120,000</u>	<u>(6,479,014)</u>	<u>55,908,787</u>
SEGMENT RESULTS					
Segment results	566,191	615,295	23,452	-	1,204,938
Finance costs					(1,433,625)
Share of results in associate					498,120
Profit before tax					<u>269,433</u>
Tax expense					(116,757)
Profit after tax					<u>152,676</u>
OTHER INFORMATION					
Capital expenditure	84,714	86,761	-	-	171,475
Depreciation of property, plant and equipment	1,410,986	1,274,305	-	-	<u>2,685,291</u>

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34. OPERATING SEGMENTS (CONT'D)

(a) BY BUSINESS SEGMENT (CONT'D):-

2011

	Resin Compound For Wires And Cables RM	Resin Compound For Other Industries RM	Others RM	Eliminations RM	Consolidated RM
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Segment assets	32,801,889	19,249,058	3,881,148	(9,783,919)	46,148,176
Investment in an associate					6,402,162
Tax recoverable					338,970
Consolidated total assets					<u>52,889,308</u>
Segment liabilities	20,436,132	12,739,357	65,540	(9,783,919)	23,457,110
Deferred tax liability					1,306,000
Consolidated total liabilities					<u>24,763,110</u>

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34. OPERATING SEGMENTS (CONT'D)

(a) BY BUSINESS SEGMENT (CONT'D):-

2010

	Resin Compound For Wires And Cables RM	Resin Compound For Other Industries RM	Others RM	Eliminations RM	Consolidated RM
SEGMENT REVENUE					
Revenue from external customers	30,881,835	22,008,794	-	-	52,890,629
Inter-segment revenue	3,423,802	2,131,091	120,000	(5,674,893)	-
Total revenue	34,305,637	24,139,885	120,000	(5,674,893)	52,890,629
SEGMENT RESULTS					
Segment results	822,201	(338,192)	31,599	-	515,608
Finance costs					(1,094,327)
Share of results in associate					439,757
Loss before tax					(138,962)
Tax expense					(121,069)
Loss after tax					(260,031)
OTHER INFORMATION					
Capital expenditure	36,880	96,555	-	-	133,435
Depreciation of property, plant and equipment	1,407,049	1,360,004	-	-	2,767,053

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34. OPERATING SEGMENTS (CONT'D)

(a) BY BUSINESS SEGMENT (CONT'D):-

2010

	Resin Compound For Wires And Cables RM	Resin Compound For Other Industries RM	Others RM	Eliminations RM	Consolidated RM
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Segment assets	33,065,795	20,955,713	3,862,314	(9,696,661)	48,187,161
Investment in an associate					5,746,268
Tax recoverable					332,557
Consolidated total assets					<u>54,265,986</u>
Segment liabilities	20,210,940	14,586,971	61,593	(9,696,661)	25,162,843
Provision for tax					85,000
Deferred tax liability					1,336,000
Consolidated total liabilities					<u>26,583,843</u>

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34. OPERATING SEGMENTS (CONT'D)

(b) BY GEOGRAPHICAL SEGMENT:-

	2011 RM	2010 RM
SALES REVENUE		
Malaysia	33,668,382	38,072,563
Other ASEAN countries	2,593,731	2,295,172
Other Asian countries	8,425,764	5,488,536
Europe	10,276,383	6,962,581
Others	944,527	71,777
	<u>55,908,787</u>	<u>52,890,629</u>

The Group's assets are located in Malaysia and the cost of acquisition of property, plant and equipment arose from Malaysia.

(c) MAJOR CUSTOMERS:-

Revenue from one (1) (2010 : 2) customers, with revenue approximately 10% (2010 : approximately 22%) of the Group's revenue, amounts to RM5,434,078 (2010: RM11,630,079).

35. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar and Euro Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

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35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

THE GROUP	UNITED STATES DOLLAR RM	EURO DOLLAR RM	OTHERS RM	TOTAL RM
2011				
Financial assets				
Trade receivables	1,154,481	1,105,140	68,564	2,328,185
Amount owing by a related party	1,977,499	-	-	1,977,499
Cash and bank balances	1,052,991	36,783	31,859	1,121,633
	<u>4,184,971</u>	<u>1,141,923</u>	<u>100,423</u>	<u>5,427,317</u>
Financial liabilities				
Trade payables	(1,418,183)	-	-	(1,418,183)
Other payables and accruals	(982,508)	-	-	(982,508)
	<u>(2,400,691)</u>	<u>-</u>	<u>-</u>	<u>(2,400,691)</u>
Currency exposure	<u>1,784,280</u>	<u>1,141,923</u>	<u>100,423</u>	<u>3,026,626</u>

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35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

THE GROUP	UNITED STATES DOLLAR RM	EURO DOLLAR RM	OTHERS RM	TOTAL RM
2010				
Financial assets				
Trade receivables	458,243	989,690	112,323	1,560,256
Amount owing by a related party	1,786,965	-	-	1,786,965
Cash and bank balances	217,818	270,969	14,302	503,089
	<u>2,463,026</u>	<u>1,260,659</u>	<u>126,625</u>	<u>3,850,310</u>
Financial liabilities				
Trade payables	(557,335)	(68,740)	(2,870)	(628,945)
Other payables and accruals	(5,464)	-	-	(5,464)
	<u>(562,799)</u>	<u>(68,740)</u>	<u>(2,870)</u>	<u>(634,409)</u>
Currency exposure	<u>1,900,227</u>	<u>1,191,919</u>	<u>123,755</u>	<u>3,215,901</u>

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35. FINANCIAL INSTRUMENTS (CONT'D)

(a) **Financial Risk Management Policies (Cont'd)**

(i) **Market Risk (Cont'd)**

(i) *Foreign Currency Risk (Cont'd)*

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	THE GROUP	
	2011	2010
	Increase/ (Decrease)	Increase/ (Decrease)
	RM	RM
Effects on profit/(loss) after taxation		
United States Dollar:-		
- strengthened by 3% (2010 : 2%)	39,684	38,004
- weakened by 3% (2010 : 2%)	(39,684)	(38,004)
Euro Dollar:-		
- strengthened by 1% (2010 : 5%)	5,450	62,195
- weakened by 1% (2010 : 5%)	<u>(5,450)</u>	<u>(62,195)</u>

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35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	THE GROUP	
	2011	2010
	Increase/ (Decrease)	Increase/ (Decrease)
	RM	RM
Effects on profit/(loss) after taxation		
Increase of 30 basis points (bp) (2010 : 75)	(34,233)	(2,870)
Decrease of 30 bp (2010 : 75)	34,233	2,870

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35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(iii) *Equity Price Risk*

The Group does not have significant quoted investment and hence exposure to equity price risk is minimal.

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by two (2) (2010 : 2) significant customers which constituted approximately 27% (2010 : 35%) of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

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35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Exposure to credit risk (Cont'd)

The exposure of credit risk for trade receivables (including amount owing by related parties) by geographical region is as follows:-

	THE GROUP	
	2011 RM	2010 RM
Malaysia	5,709,163	5,749,734
China	1,977,640	1,786,965
Europe	1,987,360	989,690
Others	340,825	570,565
	<u>10,014,988</u>	<u>9,096,954</u>

Ageing analysis

The ageing analysis of the Group's trade receivables (including amount owing by related parties) at the end of the reporting period is as follows:-

THE GROUP	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	CARRYING VALUE RM
2011			
Not past due	9,081,134	-	9,081,134
Past due:-			
- less than 3 months	924,299	-	924,299
- 3 to 6 months	7,500	-	7,500
- over 6 months	311,310	(309,255)	2,055
	<u>10,324,243</u>	<u>(309,255)</u>	<u>10,014,988</u>

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35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Ageing analysis (Cont'd)

THE GROUP	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	CARRYING VALUE RM
2010			
Not past due	5,041,405	-	5,041,405
Past due:-			
- less than 3 months	3,692,714	-	3,692,714
- 3 to 6 months	362,835	-	362,835
- over 6 months	307,380	(307,380)	-
	<u>9,404,334</u>	<u>(307,380)</u>	<u>9,096,954</u>

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 60 to 90 days, which are deemed to have higher credit risk, are monitored individually.

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35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP	INTEREST RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 - 5 YEARS RM
2011					
Term loans Banker	2.50 - 8.15	265,936	294,521	154,437	140,084
acceptances	1.92 - 5.35	11,178,828	11,178,828	11,178,828	-
Trust receipts	7.10 - 7.90	3,782,188	3,782,188	3,782,188	-
Trade payables	-	6,710,025	6,710,025	6,710,025	-
Other payables and accruals	-	723,883	723,883	723,883	-
Bank overdrafts	8.10	796,250	796,250	796,250	-
			23,457,110	23,345,611	140,084

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THE GROUP	INTEREST RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 - 5 YEARS RM
2010					
Hire purchase payables	4.67 - 7.60	213,828	225,555	225,555	-
Term loans Banker	2.50 - 8.15	643,266	717,494	451,558	265,936
acceptances	1.15 - 4.98	6,841,432	6,841,432	6,841,432	-
Trust receipts	6.80 - 7.80	9,991,371	9,991,371	9,991,371	-
Trade payables	-	3,614,715	3,614,715	3,614,715	-
Other payables and accruals	-	825,764	825,764	825,764	-
Amount due to a related party Bank	-	604,121	604,121	604,121	-
overdrafts	7.55 - 7.75	2,428,346	2,428,346	2,428,346	-
		25,162,843	25,248,798	24,982,862	265,936

THE COMPANY	INTEREST RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM
2011				
Other payables and accruals	-	65,540	65,540	65,540
		65,540	65,540	65,540

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35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

THE COMPANY	INTEREST RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM
2010				
Other payables and accruals	-	61,593	61,593	61,593
		<u>61,593</u>	<u>61,593</u>	<u>61,593</u>

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

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35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management (Cont'd)

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	THE GROUP	
	2011 RM	2010 RM
Hire purchase payables	-	213,828
Term loans	265,936	643,266
Banker acceptances	11,178,828	6,841,432
Trust receipts	3,782,188	9,991,371
Trade payables	6,710,025	3,614,715
Other payables and accruals	723,883	825,764
Amount owing to a related party	-	604,121
Bank overdrafts	796,250	2,428,346
	<u>23,457,110</u>	<u>25,162,843</u>
Less: Fixed deposits with licensed banks	(2,027,752)	(2,510,192)
Less: Cash and bank balances	(3,152,847)	(2,646,858)
Net debt	<u>18,276,511</u>	<u>20,005,793</u>
Total equity	<u>28,126,198</u>	<u>27,682,143</u>
Debt-to-equity ratio	<u>0.65</u>	<u>0.72</u>

Under the requirement of Bursa Malaysia Guidance Note No. 3/2006, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital. The Company has complied with this requirement.

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35. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification Of Financial Instruments

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Financial assets				
<u>Loans and receivables</u>				
<u>financial assets</u>				
Trade receivables	7,570,918	6,913,868	-	-
Other receivables	2,700	9,856	-	-
Amount owing by subsidiaries	-	-	5,003,539	5,064,117
Amount owing by related parties	2,444,070	2,183,086	-	-
Marketable securities	17,438	17,038	5,776	5,634
Fixed deposits with licensed banks	2,027,752	2,510,192	-	-
Cash and bank balances	3,152,847	2,646,858	191,833	112,563
	<u>15,215,725</u>	<u>14,280,898</u>	<u>5,201,148</u>	<u>5,182,314</u>
Financial liabilities				
<u>Other financial liabilities</u>				
Hire purchase payables	-	213,828	-	-
Term loans	265,936	643,266	-	-
Banker acceptances	11,178,828	6,841,432	-	-
Trust receipts	3,782,188	9,991,371	-	-
Trade payables	6,710,025	3,614,715	-	-
Other payables and accruals	723,883	825,764	65,540	61,593
Amount owing to a related party	-	604,121	-	-
Bank overdrafts	796,250	2,428,346	-	-
	<u>23,457,110</u>	<u>25,162,843</u>	<u>65,540</u>	<u>61,593</u>

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35. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The following summarises the methods used to determine the fair values of the financial instruments:-

- (i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.
- (ii) The financial assets maturing after 12 months are estimated by discounting expected future cash flows at weighted average cost of capital at the reporting date.
- (iii) The carrying amounts of the term loans approximated their fair values.

(e) Fair Value Hierarchy

As at 31 December 2011, there were no financial instruments carried at fair value.

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36. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits/(accumulated losses) of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Total retained profits/(accumulated losses):				
- realised	11,915,114	12,538,332	(1,999,077)	(2,014,017)
- unrealised	(1,306,000)	(1,426,000)	-	-
	<u>10,609,114</u>	<u>11,112,332</u>	<u>(1,999,077)</u>	<u>(2,014,017)</u>
Total share of retained profits of associate:				
- realised	2,239,119	1,874,604	-	-
- unrealised	(52,347)	(343,726)	-	-
	<u>12,795,886</u>	<u>12,643,210</u>	<u>(1,999,077)</u>	<u>(2,014,017)</u>
Less: Consolidation adjustments	(5,739,794)	(5,739,794)	-	-
	<u>7,056,092</u>	<u>6,903,416</u>	<u>(1,999,077)</u>	<u>(2,014,017)</u>
At 31 December	<u>7,056,092</u>	<u>6,903,416</u>	<u>(1,999,077)</u>	<u>(2,014,017)</u>