

PLASTRADE TECHNOLOGY BERHAD

(Incorporated in Malaysia)
Company No.: 591077-X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

23. TERM LOANS

	THE GROUP	
	2012 RM	2011 RM
Current portion:-		
- repayable within one year (Note 22)	119,437	135,183
Non-current portion:-		
- repayable between one and two years	-	130,753
Total non-current portion (Note 17)	-	130,753
	<u>119,437</u>	<u>265,936</u>

The term loans of the Group bear interest at rate of 8.15% (2011: 2.50% to 8.15%) per annum.

The term loans are secured as follows:-

- (i) by legal charges over the Group's landed properties; and
- (ii) by corporate guarantee from the Company.

24. BANK OVERDRAFTS

Bank overdrafts of the Group bear interest at rates ranging from 8.10% to 8.40% (2011: 7.85% to 8.40%) per annum and are secured in the same manner as the short-term borrowings as disclosed in Note 22 to the financial statements.

25. REVENUE

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Sale of goods	55,207,619	55,908,787	-	-
Management fees	-	-	120,000	120,000
	<u>55,207,619</u>	<u>55,908,787</u>	<u>120,000</u>	<u>120,000</u>

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26. PROFIT BEFORE TAX

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before tax is arrived at after charging/(crediting):-				
Audit fee				
- current financial year	53,000	47,000	18,000	15,000
- over provision in the previous financial year	(2,000)	-	-	-
Depreciation of property, plant and equipment	2,333,434	2,685,291	-	-
Directors' fees	54,000	47,000	54,000	47,000
Directors' non-fee emoluments	288,110	413,560	9,000	12,600
Impairment loss on trade receivables	-	1,875	-	-
Interest expense	645,872	1,023,286	-	-
Loss on disposal of equipment	-	1,631	-	-
Loss on foreign exchange - realised	28,934	37,319	-	-
Staff costs:				
- salaries, wages, bonuses and allowances	2,900,033	3,083,813	-	-
- defined contribution plan	254,017	266,361	-	-
Gain on foreign exchange - realised	(26,844)	(26,353)	-	-
Interest income:-				
- loans and receivables financial assets	(62,853)	(55,589)	(127,892)	(129,565)
Rental income	(96,000)	(96,000)	-	-

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27. TAX EXPENSE

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Malaysian Income Tax				
- Current year	432,000	24,000	10,000	7,000
- (Over)/Under provision in prior years	(742)	(10,848)	3,036	1,512
Foreign tax				
- Current year	94,428	133,605	-	-
	<u>525,686</u>	<u>146,757</u>	<u>13,036</u>	<u>8,512</u>
Deferred taxation (Note 18)				
- Relating to reversal of temporary differences	(44,000)	(19,000)	-	-
- Under/(Over) provision in prior years	22,000	(11,000)	-	-
	<u>(22,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>
	<u>503,686</u>	<u>116,757</u>	<u>13,036</u>	<u>8,512</u>

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	
	2012 RM	2011 RM
Unutilised capital allowances	444,000	1,406,000
Unutilised reinvestment allowances	8,586,000	8,586,000
Unabsorbed business losses	600,000	600,000
	<u>9,630,000</u>	<u>10,592,000</u>

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27. TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit 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	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before tax	<u>1,704,484</u>	<u>269,433</u>	<u>58,944</u>	<u>23,452</u>
Malaysian tax at statutory rate	426,121	67,358	15,000	6,000
Tax effects of:-				
Effect of foreign tax rate in foreign jurisdiction	(1,693)	9,247	-	-
Non-deductible expenses	70,163	83,585	27,000	33,391
Non-taxable income	(12,163)	(21,585)	(32,000)	(32,391)
(Over)/Under provision of Malaysian Income Tax in prior years	(742)	(10,848)	3,036	1,512
Under/(Over) provision of deferred tax in prior years	22,000	(11,000)	-	-
	<u>503,686</u>	<u>116,757</u>	<u>13,036</u>	<u>8,512</u>

28. EARNINGS PER SHARE

	THE GROUP	
	2012	2011
Earnings attributable to owners of the Company (RM)	<u>1,200,798</u>	<u>152,676</u>
Number of ordinary shares	<u>150,400,000</u>	<u>150,400,000</u>
Basic earnings per share (sen)	<u>0.80</u>	<u>0.10</u>

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

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29. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Fixed deposits with licensed banks (Note 14)	2,498,609	2,027,752	-	-
Cash and bank balances	2,930,486	3,152,847	345,049	191,833
Bank overdrafts (Note 24)	(184,387)	(796,250)	-	-
	<u>5,244,708</u>	<u>4,384,349</u>	<u>345,049</u>	<u>191,833</u>

As disclosed in Note 14 to the financial statements, fixed deposits of the Group totalling RM2,089,909 (2011: RM2,027,752) 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.

30. 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	
	2012 RM	2011 RM	2012 RM	2011 RM
Executive directors:				
- non-fee emoluments	279,110	400,960	-	-
- allowance	3,000	3,000	3,000	3,000
Non-executive directors:				
- fee	54,000	47,000	54,000	47,000
- allowance	6,000	9,600	6,000	9,600
	<u>342,110</u>	<u>460,560</u>	<u>63,000</u>	<u>59,600</u>

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30. DIRECTORS' REMUNERATION (CONT'D)

- (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	
	2012	2011	2012	2011
Executive directors:-				
RM1 – RM50,000	-	-	2	2
RM100,001 – RM150,000	1	-	-	-
RM150,001 – RM200,000	1	1	-	-
RM200,001 – RM250,000	-	1	-	-
Non-executive directors:-				
Below RM50,000	4	4	4	4
	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>

31. RELATED PARTY DISCLOSURES

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

	THE COMPANY	
	2012	2011
	RM	RM
<i>Subsidiaries</i>		
Management fee received/receivable	<u>120,000</u>	<u>120,000</u>
	THE GROUP	
	2012	2011
	RM	RM
<i>Associate</i>		
Sales of goods	2,666,286	2,786,287
<i>Companies in which certain directors have interests</i>		
Purchase of goods	7,541,726	5,308,017
Sales of goods	7,698,935	7,624,827
Rental received/receivable	<u>96,000</u>	<u>96,000</u>

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31. RELATED PARTY DISCLOSURES (CONT'D)

(b) Key management personnel compensation

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Short-term employee benefit	310,000	417,600	63,000	59,600
Contribution to a defined contribution plan	32,110	42,960	-	-
	<u>342,110</u>	<u>460,560</u>	<u>63,000</u>	<u>59,600</u>

32. CONTINGENT LIABILITY

	THE COMPANY	
	2012 RM	2011 RM
Unsecured: Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	<u>38,850,807</u>	<u>40,800,807</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

33. OPERATING SEGMENTS

(a) BY BUSINESS SEGMENT:-

2012

	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	37,072,746	18,134,873	-	-	55,207,619
Inter-segment revenue	3,133,184	2,956,416	120,000	(6,209,600)	-
Total revenue	<u>40,205,930</u>	<u>21,091,289</u>	<u>120,000</u>	<u>(6,209,600)</u>	<u>55,207,619</u>
SEGMENT RESULTS					
Segment results	1,710,820	449,135	(68,805)		2,091,150
Finance costs					(770,096)
Share of results in associate					383,430
Profit before tax					<u>1,704,484</u>
Tax expense					(503,686)
Profit after tax					<u>1,200,798</u>
OTHER INFORMATION					
Capital expenditure	26,473	18,700	-	-	45,173
Depreciation of property, plant and equipment	<u>1,219,112</u>	<u>1,114,322</u>	-	-	<u>2,333,434</u>

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33. OPERATING SEGMENTS (CONT'D)

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

2012

	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	29,902,838	16,999,881	3,966,338	(7,843,110)	43,025,947
Investment in an associate					6,634,747
Tax recoverable					66,904
Consolidated total assets					<u>49,727,598</u>
Segment liabilities	16,494,884	10,429,459	91,786	(7,843,110)	19,173,019
Deferred tax liability					1,284,000
Consolidated total liabilities					<u>20,457,019</u>

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33. 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
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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33. 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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33. OPERATING SEGMENTS (CONT'D)

(b) BY GEOGRAPHICAL SEGMENT:-

	2012 RM	2011 RM
SALES REVENUE		
Malaysia	37,689,679	33,668,382
Other ASEAN countries	2,836,947	2,593,731
Other Asian countries	6,353,275	8,425,764
Europe	5,907,897	10,276,383
Others	2,419,821	944,527
	<u>55,207,619</u>	<u>55,908,787</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 two (2) (2011 : 1) customers, with revenue approximately 25% (2011 : approximately 10%) of the Group's revenue, amounts to RM13,686,417 (2011: RM5,434,078).

34. 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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34. 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
2012				
Financial assets				
Trade receivables	648,892	1,313,595	59,214	2,021,701
Amount owing by a related party	2,666,286	-	-	2,666,286
Cash and bank balances	923,127	583,491	20,860	1,527,478
	<u>4,238,305</u>	<u>1,897,086</u>	<u>80,074</u>	<u>6,215,465</u>
Financial liabilities				
Trade payables	(648,003)	-	(21,912)	(669,915)
Bankers' acceptance	(2,428,246)	-	-	(2,428,246)
	<u>(3,076,249)</u>	<u>-</u>	<u>(21,912)</u>	<u>(3,098,161)</u>
Currency exposure	<u>1,162,056</u>	<u>1,897,086</u>	<u>58,162</u>	<u>3,117,304</u>

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34. 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
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
	4,184,971	1,141,923	100,423	5,427,317
Financial liabilities				
Trade payables	(1,418,183)	-	-	(1,418,183)
Other payables and accruals	(982,508)	-	-	(982,508)
	(2,400,691)	-	-	(2,400,691)
Currency exposure	1,784,280	1,141,923	100,423	3,026,626

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34. 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	
	2012	2011
	Increase/ (Decrease)	Increase/ (Decrease)
	RM	RM
Effects on profit after taxation		
United States Dollar:-		
- strengthened by 4% (2011 : 3%)	33,751	39,684
- weakened by 4% (2011 : 3%)	(33,751)	(39,684)
Euro Dollar:-		
- strengthened by 2% (2011 : 1%)	28,019	5,450
- weakened by 2% (2011 : 1%)	<u>(28,019)</u>	<u>(5,450)</u>

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34. FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Market Risk (Cont'd)

(ii) Interest Rate Risk

The information related to the Group's exposure to interest rate risk is disclosed in Note 34 (a) (iii) of the financial statements.

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	
	2012	2011
	Increase/ (Decrease)	Increase/ (Decrease)
	RM	RM
Effects on profit after taxation		
Increase of 30 basis points (bp) (2011 : 30)	(21,473)	(34,233)
Decrease of 30 bp (2011 : 30)	21,473	34,233

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34. 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 three (3) (2011 : 2) significant customers which constituted approximately 44% (2011 : 27%) 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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34. 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	
	2012 RM	2011 RM
Malaysia	5,985,036	5,709,163
China	2,666,286	1,977,640
Europe	1,628,383	1,987,360
Others	393,317	340,825
	<u>10,673,022</u>	<u>10,014,988</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:-

	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	CARRYING VALUE RM
THE GROUP			
2012			
Not past due	9,160,467	-	9,160,467
Past due:-			
- less than 3 months	1,027,610	-	1,027,610
- 3 to 6 months	3,200	-	3,200
- over 6 months	660,580	(178,835)	481,745
	<u>10,851,857</u>	<u>(178,835)</u>	<u>10,673,022</u>

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34. 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
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>

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 30 to 90 days, which are deemed to have higher credit risk, are monitored individually.

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34. 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
2012				
Term loans	8.15	119,437	119,437	119,437
Banker acceptances	1.50 – 5.28	13,168,063	13,168,063	13,168,063
Trade payables	-	3,964,080	3,964,080	3,964,080
Other payables and accruals	-	760,344	760,344	760,344
Amount owing to a related party	-	976,708	976,708	976,708
Bank overdrafts	8.10	184,387	184,387	184,387
			<u>19,173,019</u>	<u>19,173,019</u>
				<u>19,173,019</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

34. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Liquidity Risk (Cont'd)

THE GROUP	INTEREST RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 – 5 YEARS RM
2011					
Term loans	2.50 – 8.15	265,936	294,521	154,437	140,084
Banker 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	-
			<u>23,457,110</u>	<u>23,345,611</u>	<u>140,084</u>

THE COMPANY	INTEREST RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM
2012				
Other payables and accruals	-	91,786	91,786	91,786
			<u>91,786</u>	<u>91,786</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

34. 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
2011				
Other payables and accruals	-	65,540	65,540	65,540
		<u>65,540</u>	<u>65,540</u>	<u>65,540</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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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

34. 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	
	2012 RM	2011 RM
Term loans	119,437	265,936
Banker acceptances	13,168,063	11,178,828
Trust receipts	-	3,782,188
Trade payables	3,964,080	6,710,025
Other payables and accruals	760,344	723,883
Amount owing to a related party	976,708	-
Bank overdrafts	184,387	796,250
	<u>19,173,019</u>	<u>23,457,110</u>
Less: Fixed deposits with licensed banks	(2,498,609)	(2,027,752)
Less: Cash and bank balances	(2,930,486)	(3,152,847)
	<u>13,743,924</u>	<u>18,276,511</u>
Net debt		
	<u>13,743,924</u>	<u>18,276,511</u>
Total equity	<u>29,270,579</u>	<u>28,126,198</u>
Debt-to-equity ratio	<u>0.47</u>	<u>0.65</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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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

34. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification Of Financial Instruments

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Financial assets				
<u>Loans and receivables financial assets</u>				
Trade receivables	7,493,122	7,570,918	-	-
Other receivables	4,050	2,700	-	-
Amount owing by subsidiaries	-	-	3,621,289	3,683,539
Amount owing by related parties	3,179,900	2,444,070	-	-
Marketable securities	-	17,438	-	5,776
Fixed deposits with licensed banks	2,498,609	2,027,752	-	-
Cash and bank balances	2,930,486	3,152,847	345,049	191,833
	<u>16,106,167</u>	<u>15,215,725</u>	<u>3,966,338</u>	<u>3,881,148</u>
Financial liabilities				
<u>Other financial liabilities</u>				
Term loans	119,437	265,936	-	-
Banker acceptances	13,168,063	11,178,828	-	-
Trust receipts	-	3,782,188	-	-
Trade payables	3,964,080	6,710,025	-	-
Other payables and accruals	760,344	723,883	91,786	65,540
Amount owing to a related party	976,708	-	-	-
Bank overdrafts	184,387	796,250	-	-
	<u>19,173,019</u>	<u>23,457,110</u>	<u>91,786</u>	<u>65,540</u>

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34. 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 2012, there were no financial instruments carried at fair value.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

35. 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	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits/(accumulated losses):				
- realised	12,861,327	11,915,114	(1,953,169)	(1,999,077)
- unrealised	(1,284,000)	(1,306,000)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	11,577,327	10,609,114	(1,953,169)	(1,999,077)
Total share of retained profits of associate:				
- realised	2,528,121	2,239,119	-	-
- unrealised	(108,764)	(52,347)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	13,996,684	12,795,886	(1,953,169)	(1,999,077)
Less: Consolidation adjustments	(5,739,794)	(5,739,794)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	8,256,890	7,056,092	(1,953,169)	(1,999,077)
	<hr/>	<hr/>	<hr/>	<hr/>