BHS INDUSTRIES BERHAD (719660-W)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
30 June 2008

Ernst & Young
AF : 0039

719660-W

BHS Industries Berhad
(Incorporated in Malaysia)

Directors' report and audited financial statements
30 June 2008

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BHS Industries Berhad
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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2008.

Principal activities

The principal activities of the Company are that of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 13 to the financial statements respectively.

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

Results

	Group RM	Company RM
Profit for the year	6,188,011	166,977

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

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

Dividend

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

Directors

The directors of the Company in office since the date of the last report and at the date of this report are:

Heng Song Khoon	(appointed on 7 August 2007)
Liew Sai Ying	(appointed on 7 August 2007)
Heng Boon Seng	(appointed on 7 August 2007)
Chew Yuit Yoo	(appointed on 7 August 2007)
Shamsudin @ Samad bin Kassim	(appointed on 7 August 2007)
Teoh Siew Hoon	(resigned on 8 August 2007)
Lee Boon Siew	(resigned on 8 August 2007)

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Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in Note 30 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interest of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	← Number of Ordinary Shares of RM0.50 Each →			
The Company	**1.7.2007**	**Acquired**	**Sold**	**30.6.2008**
Direct interest:				
Heng Song Khoon	-	6,400,161	-	6,400,161
Liew Sai Ying	-	4,245,296	-	4,245,296
Heng Boon Seng	-	3,370,000	-	3,370,000
Chew Yuit Yoo	-	100,000	(49,900)	50,100
Shamsudin @ Samad bin Kassim	-	200,000	(190,000)	10,000
Indirect interest:				
Heng Song Khoon	-	20,016,399	-	20,016,399
Liew Sai Ying	-	11,933,144	-	11,933,144

Restructuring Exercise

The Group was formed on 8 August 2007 pursuant to a Restructuring Exercise for the purpose of the Company's listing on the Second Board of the Bursa Malaysia Securities Berhad. The Restructuring Exercise included the following transactions:

(i) Acquisition of the entire equity interests in Pustaka Pelajaran Sistem Sdn. Bhd. ("Sistem") and its subsidiaries, from Harta Sistem Sdn Bhd for a purchase consideration of RM20,704,769 satisfied by the issuance of 41,409,539 new ordinary shares of RM0.50 each in the Company ; and

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Restructuring Exercise (Contd.)

(ii) Acquisitions of the entire equity interests in BHS Book Printing Sdn. Bhd. ("BBP") and Star CTP Imaging Sdn. Bhd. ("Star") comprising 3,950,000 and 150,000 ordinary shares of RM1.00 each respectively from Sistem for a purchase consideration of RM16,878,790 and RM924,000 respectively satisfied by way of cash;

Before the acquisition by the Company, Sistem owns 100% equity interest in BBP and Star.

Issue of shares and initial public offering

During the financial year, the Company increased its issued and paid up share capital in conjunction with and as an integral part of the listing and quotation of the entire issued and paid-up share capital of the Company by way of the following:

(i) Capitalisation of advances made by Harta Sistem Sdn. Bhd. ("Harta") to Sistem and BBP amounting to RM4,320,000 and RM600,000 respectively by the issuance of 9,840,000 new ordinary shares of RM0.50 each in the Company at an issue price of RM0.50 per new ordinary share;

(ii) Rights issue of 8,750,457 new ordinary shares of RM0.50 each in the Company on the basis of 10 new ordinary shares of RM0.50 each for approximately every 59 existing ordinary shares of RM0.50 each held, at an issue price of RM0.50 per new ordinary share to Harta for a total cash consideration of RM4,375,229;

(iii) Offer for sale of 19,600,000 existing ordinary shares of RM0.50 each in the Company at an offer price of RM0.68 per ordinary share to Bumiputra investors approved by the Ministry of International Trade and Industry ("MITI") ; and

(iv) Public issue for cash of 20,000,000 new ordinary shares of RM0.50 each in the Company at an issue price of RM0.68 per new ordinary share ("public issue") in the following manner:

   (a) 6,000,000 new ordinary shares of RM0.68 each for application by the Malaysian public;

   (b) 6,000,000 new ordinary shares of RM0.68 each for eligible directors, employees and business associates of the Group;

   (c) 4,400,000 new ordinary shares of RM0.68 each for application by Bumiputra investors approved by MITI; and

   (d) 3,600,000 new ordinary shares of RM0.68 each for application by way of private placement to identified investors.

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Issue of shares and initial public offering (Contd.)

Upon the completion of the Public Issue, the issued and paid up ordinary share capital of the Company increased to RM40,000,000 comprising 80,000,000 ordinary shares of RM0.50 each. All new shares issued rank pari-passu with the existing shares in all respects.

The entire issued and paid up capital of the Company comprising 80,000,000 ordinary shares of RM0.50 each were admitted to the Official List of the Bursa Malaysia and quoted on the Second Board of Bursa Malaysia on 20 November 2007.

Other statutory information

(a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

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

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

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

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

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

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Other statutory information (Contd.)

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

(f) In the opinion of the directors:

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 October 2008.

Heng Song Khoon

Liew Sai Ying

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Statement by directors pursuant to Section 169(15) of the Companies Act, 1965

We, Heng Song Khoon and Liew Sai Ying, being two of the directors of BHS Industries Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 60 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 October 2008.

Heng Song Khoon

Liew Sai Ying

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Heng Song Khoon, being the director primarily responsible for the financial management of BHS Industries Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 60 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Heng Song Khoon
at Kuala Lumpur in the Federal Territory
on 29 October 2008.

Heng Song Khoon

Before me,

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Independent auditors' report to the members of
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Report on the financial statements

We have audited the financial statements of BHS Industries Berhad, which comprise the balance sheets as at 30 June 2008, of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 60.

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 Financial 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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Independent auditors' report to the members of
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Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2008 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

Report on other legal and regulatory requirements

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

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

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Independent auditors' report to the members of
BHS Industries Berhad (contd.)
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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.

Ernst & Young
AF: 0039
Chartered Accountants

Yap Seng Chong
No. 2190/12/09 (J)
Partner

Kuala Lumpur, Malaysia
29 October 2008

BHS Industries Berhad
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Income statements
for the year ended 30 June 2008

		GROUP		COMPANY	
		2008	2007	2008	2007
	Note	RM	RM	RM	RM
Revenue	3	35,319,418	36,620,949	374,626	-
Cost of sales		(25,483,813)	(27,005,967)	-	-
Gross profit		9,835,605	9,614,982	374,626	-
Other income	4	1,118,338	696,373	229,168	-
Operating expenses		(3,869,701)	(4,464,154)	(413,417)	(4,595)
Operating profit/ (loss)	5	7,084,242	5,847,201	190,377	(4,595)
Finance costs	7	(316,982)	(325,002)	-	-
Profit/ (loss) before taxation		6,767,260	5,522,199	190,377	(4,595)
Income tax expense	8	(579,249)	(805,724)	(23,400)	-
Net profit/ (loss) after taxation		6,188,011	4,716,475	166,977	(4,595)
Earnings per share attributable equity holders of the Company	9	10.04 sen	11.39 sen		

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

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Balance sheets
as at 30 June 2008

		GROUP		COMPANY	
		2008	2007	2008	2007
	Note	RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Plant and equipment	10	12,332,592	13,001,331	-	-
Prepaid land lease payments	11	2,958,792	2,991,486	-	-
Intangible assets	12	747,183	747,183	-	-
Investment in subsidiaries	13	-	-	38,507,560	-
Other Investments	14	12,688	12,688	-	-
Deferred tax assets	15	2,804	23,415	-	-
		16,054,059	16,776,103	38,507,560	-
Current Assets					
Inventories	16	13,949,174	8,841,072	-	-
Trade receivables	17	14,350,179	14,586,304	-	-
Other receivables	18	160,961	1,141,738	500	854,796
Amount due from subsidiaries	19	-	-	112,948	-
Tax recoverable		740,842	441,137	4,350	-
Cash and bank balances	20	12,876,944	1,863,444	9,261,972	2
		42,078,100	26,873,695	9,379,770	854,798
TOTAL ASSETS		58,132,159	43,649,798	47,887,330	854,798
EQUITY AND LIABILITIES					
Equity attributable to equity holders of Company:					
Share capital	21	40,000,000	20,704,771	40,000,000	2
Share premium	22	1,684,192	-	1,684,192	-
Merger reserve	23	(16,832,846)	(16,832,846)	-	-
Retained earnings	24	24,706,517	18,518,506	155,916	(11,061)
Shareholders' equity		49,557,863	22,390,431	41,840,108	(11,059)
Non-Current Liabilities					
Bank borrowings	25	52,012	2,943	-	-
Deferred tax liabilities	15	1,375,869	1,501,165	-	-
		1,427,881	1,504,108	-	-

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Balance sheets
as at 30 June 2008 (Contd.)

		GROUP		COMPANY	
		2008	2007	2008	2007
	Note	RM	RM	RM	RM
Current Liabilities					
Trade payables	27	1,701,221	2,343,754	-	-
Other payables	28	1,911,377	15,285,987	49,454	865,857
Amount due to subsidiaries	19	-	-	5,997,768	-
Bank borrowings	25	3,408,278	2,115,717	-	-
Tax payable		125,539	9,801	-	-
		7,146,415	19,755,259	6,047,222	865,857
Total liabilities		8,574,296	21,259,367	6,047,222	865,857
TOTAL EQUITY AND LIABILITIES		58,132,159	43,649,798	47,887,330	854,798

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

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Consolidated statement of changes in equity
For the year ended 30 June 2008

		← Non-distributable		→		
	Note	**Share capital RM**	**Share premium RM**	**Merger deficit RM**	**Distributable retained earnings RM**	**Total equity RM**
Group						
At 1 July 2006		20,704,771	-	(16,832,846)	16,552,031	20,423,956
Net profit for the year		-	-	-	4,716,475	4,716,475
Dividend	29	-	-	-	(2,750,000)	(2,750,000)
At 30 June 2007		20,704,771	-	(16,832,846)	18,518,506	22,390,431
Issue of ordinary shares pursuant to:						
- capitalisation of advances	21	4,920,000	-	-	-	4,920,000
- rights issue	21	4,375,229	-	-	-	4,375,229
- public issue	21	10,000,000	3,600,000	-	-	13,600,000
Share issue and listing expenses, representing net losses not recognised in income statement	22	-	(1,915,808)	-	-	(1,915,808)
Net profit for the year		-	-	-	6,188,011	6,188,011
At 30 June 2008		40,000,000	1,684,192	(16,832,846)	24,706,517	49,557,863

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Statement of changes in equity
For the year ended 30 June 2008

	Note	Share capital RM	Non-distributable share premium RM	Distributable retained earnings RM	Total equity RM
Company					
At 1 July 2006		2	-	(6,466)	(6,464)
Net loss for the year		-	-	(4,595)	(4,595)
At 30 June 2007		2	-	(11,061)	(11,059)
Issue of ordinary shares pursuant to:					
- acquistion of subsidiaries		20,704,769	-	-	20,704,769
- capitalisation of advances	21	4,920,000	-	-	4,920,000
- rights issue	21	4,375,229	-	-	4,375,229
- public issue	21	10,000,000	3,600,000	-	13,600,000
Share issue and listing expenses, representing net losses not recognised in income statement	22	-	(1,915,808)	-	(1,915,808)
Net profit for the year		-	-	166,977	166,977
At 30 June 2008		40,000,000	1,684,192	155,916	41,840,108

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

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	GROUP 2008 RM	GROUP 2007 RM	COMPANY 2008 RM	COMPANY 2007 RM
Cash Flows From Operating Activities				
Profit/(loss) before taxation	6,767,260	5,522,199	190,377	(4,595)
Adjustments for:				
Depreciation of plant and equipment	1,888,488	1,796,543	-	-
Amortisation of prepaid land lease payments	32,694	32,694	-	-
Interest expense	316,982	325,002	-	-
Interest income	(229,168)	-	(229,168)	-
Plant and equipment written off	36,962	-	-	-
Inventories written off	-	135,152	-	-
Inventories written down	-	33,000	-	-
Provision for doubtful debts	64,873	1,049,683	-	-
Gain on disposal of property, plant and equipment	(339,250)	(492,498)	-	-
Writeback of provision for doubtful debts of trade receivables	(398,953)	(93,000)	-	-
Unrealised foreign exchange loss	44,958	-	-	-
Operating profit/(loss) before working capital changes	8,184,846	8,308,775	(38,791)	(4,595)
Changes in working capital:				
Inventories	(5,108,102)	3,999,388	-	-
Receivables	1,506,024	(1,947,667)	854,296	(656,643)
Payables	(6,347,143)	4,539,840	(816,404)	656,643
Subsidiaries	-	-	10,804,820	-
Due to director	-	-	-	4,595
Cash (used in)/generated from operations	(1,764,375)	14,900,336	10,803,921	-
Taxes paid	(867,901)	(1,025,367)	(27,750)	
Interest paid	(316,982)	(325,002)	-	-
Interest received	229,168	-	229,168	
Net cash (used in)/generated from operating activities	(2,720,090)	13,549,967	11,005,339	-

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	GROUP 2008 RM	GROUP 2007 RM	COMPANY 2008 RM	COMPANY 2007 RM
Cash Flows From Investing Activities					
Purchase of plant and equipment	10	(1,670,461)	(8,191,493)	-	-
Proceeds from disposal of plant and equipment		900,000	1,179,999	-	-
Acquisitions of subsidiaries		-	-	(17,802,790)	-
Net cash used in investing activities		(770,461)	(7,011,494)	(17,802,790)	-
Cash Flows From Financing Activities					
Proceeds from issuance of new shares		17,975,229	-	17,975,229	-
Payment of share issue and listing expenses		(1,915,808)	-	(1,915,808)	-
Dividend paid		(2,750,000)	-	-	-
Repayment of term loans		(431,268)	(988,164)	-	-
Drawdown/(repayment) of other borrowings		1,723,117	(4,103,426)	-	-
Repayment of hire purchase obligations		(62,427)	(21,006)	-	-
Net cash generated from/(used in) financing activities		14,538,843	(5,112,596)	16,059,421	-
Net increase in cash and cash equivalents		11,048,292	1,425,877	9,261,970	-
Cash and cash equivalents at beginning of year		1,816,802	390,925	2	2
Cash and cash equivalents at end of year		12,865,094	1,816,802	9,261,972	2

Cash and cash equivalents comprise the following:

	GROUP 2008 RM	GROUP 2007 RM	COMPANY 2008 RM	COMPANY 2007 RM
Cash on hand and at banks	12,876,944	1,863,444	9,261,972	2
Bank overdrafts (Note 25)	(11,850)	(46,642)	-	-
	12,865,094	1,816,802	9,261,972	2

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

BHS Industries Berhad
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Notes to the financial statements - 30 June 2008

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia. It is listed on the Second Board of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at 312, 3rd Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan and the principal place of business of the Company is located at Lot 17-22 & Lot 17-23, Jalan Bersatu Industrial Park, Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan.

The principal activities of the Company are that of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 13. There have been no significant changes in the nature of the principal activities during the financial year.

The Group was formed on 8 August 2007, pursuant to a Restructuring Exercise for the purpose of the Company's listing on the Second Board of the Bursa Malaysia Securities Berhad. The Group's Restructuring Exercise has been accounted for using the "pooling-of-interest" method. Accordingly, the Group's consolidated financial statements for the financial years ended 30 June 2007 and 2008 have been presented as if the Group has been in existence throughout the current and previous financial years. The assets and liabilities are brought into the consolidated balance sheets at their existing carrying values.

The Restructuring Exercise included the following transactions:

(i) Acquisition of the entire equity interests in Pustaka Pelajaran Sistem Sdn. Bhd. ("Sistem") and its subsidiaries, from Harta Sistem Sdn Bhd for a purchase consideration of RM20,704,769 satisfied by the issuance of 41,409,539 new ordinary shares of RM0.50 each in the Company ; and

(ii) Acquisitions of the entire equity interests in BHS Book Printing Sdn. Bhd. ("BBP") and Star CTP Imaging Sdn. Bhd. ("Star") comprising 3,950,000 and 150,000 ordinary shares of RM1.00 each respectively from Sistem for a purchase consideration of RM16,878,790 and RM924,000 respectively satisfied by way of cash.

Before the acquisition by the Company, Sistem owns 100% equity interest in BBP and Star.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 October 2008.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

The financial statements of the Group and of the Company have also been prepared on a historical basis and are presented in Ringgit Malaysia (RM).

2. Significant accounting policies (Contd.)

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently excercisable or convertible are considered when assessing whether the Group has such power over another entity.

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

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

The formation of the BHS Group has been accounted for as a reorganisation of companies under common control using the pooling-of-interest method. Such manner of reorganisation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after the date of the Restructuring Exercise. Therefore, the consolidated financial statements reflect the combined financial statements of all companies that form the Group as if they were a Group throughout the current and previous financial years.

Prior to the formation of the BHS Group, certain subsidiaries are consolidated using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities assumed at the date of the acquisition, being the date on which the Group obtains control. The cost of acquisition is measured as the aggregate of the fair value, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss. Subsidiaries are consolidated from the date of acquisition and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

2. Significant accounting policies (Contd.)

2.2 Summary of significant accounting policies (Contd.)

(a) Subsidiaries and basis of consolidation (Contd.)

(ii) Basis of consolidation (Contd.)

When the pooling-of-interest method is used, the cost of investment in the Company's book is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as a merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the subsidiaries acquired to the extent that the laws and statues do not prohibit the use of such reserves. The results and financial positions of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

(b) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Research and development costs

All research costs are recognised in the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

2. Significant accounting policies (Contd.)

2.2 Summary of significant accounting policies (Contd.)

(b) Other intangible assets (Contd.)

Research and development costs
Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

(c) Plant and equipment and depreciation

All items of plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, plant and equipment except for certain plant and equipment, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Certain plant and equipment were revalued by the directors in 1989. As permitted by FRS 116 Property, Plant and Equipment, these assets are stated at their previous revalued amount (subject to continuity in depreciation policy and the requirement to write an asset down to its recoverable amount) on the basis that the revaluation carried out then, was a one off isolated event and not intended to be an adoption of a revaluation policy in place of historical cost.

Depreciation of plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Factory equipment, plant and machineries	5% - 10%
Renovation	10%
Office equipment and furniture and fittings	10%
Computers	25%
Motor vehicles	20%

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

2. Significant accounting policies (Contd.)

2.2 Summary of significant accounting policies (Contd.)

(c) Plant and equipment and depreciation (Contd.)

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(d) Impairment of non-financial assets

The carrying amounts of assets other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises.

2. Significant accounting policies (Contd.)

2.2 Summary of significant accounting policies (Contd.)

(e) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The costs of raw materials comprise cost of purchase and other direct charges. The costs of finished goods comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of printing overheads based on normal operating capacity.

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

(f) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents
For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits at call which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Marketable securities
Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on qouted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

(iii) Receivables
Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

2. Significant accounting policies (Contd.)

2.2 Summary of significant accounting policies (Contd.)

(f) Financial instruments (Contd.)

(iv) Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vi) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(g) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance lease in the same way as leases of other assets and the land and buildings elements of a lease of land and buidlings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are reclassified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

2. Significant accounting policies (Contd.)

2.2 Summary of significant accounting policies (Contd.)

(g) Leases (Contd.)

(ii) Finance Leases - the Group as Lessee

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 minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. 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 practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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 in the profit or loss 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 in accordance with that for depreciable plant and equipment as described in Note 2.2(c).

(iii) Operating Leases - the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(h) Income tax

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

2. Significant accounting policies (Contd.)

2.2 Summary of significant accounting policies (Contd.)

(h) Income tax (Contd.)

Deferred tax is provided for, using the liability method. In principle, 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 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 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 is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as an income or an expense and included in the profit or loss for the period.

(i) Provisions for liabilities

Provisions 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 balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(j) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

2. Significant accounting policies (Contd.)

2.2 Summary of significant accounting policies (Contd.)

(k) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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 each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. 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 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. Exchange differences arising on monetary items that form part of the Group’s net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, 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, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company’s net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company’s 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.

2. Significant accounting policies (Contd.)

2.2 Summary of significant accounting policies (Contd.)

(k) Foreign currencies

(ii) Foreign currency transactions (Contd.)

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2008 RM	2007 RM
United States Dollars	3.27	3.65
Euro Dollars	5.16	4.64

(l) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Interest income

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

(iii) Management fees

Management fees are recognised when services are rendered.

2. Significant accounting policies (Contd.)

2.3 Changes in accounting policies, effects and change in comparatives arising from adoption of new and revised FRSs

On 1 July 2007, the Group and the Company adopted the following revised FRS and amendments to FRS mandatory for financial periods beginning on or after 1 October 2006:

FRSs, Amendments to FRS and Interpretations

FRS 107 : Cash Flow Statements
FRS 111 : Construction Contracts
FRS 112 : Income Taxes
FRS 117 : Leases
FRS 118 : Revenue
FRS 120 : Accounting for Government Grants and Disclosure of Government Assistance
FRS 124 : Related Party Disclosures
FRS 134 : Interim Financial Reporting
FRS 137 : Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121 : The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2 : Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5 : Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6 : Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7 : Applying the Restatement Approach under FRS 129_{2004} : - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8 : Scope of FRS 2

At the date of authorisation of these financial statements, FRS 139 - Financial Instruments: Recognition and Measurement was issued but not yet effective and has not been applied by the Group. FRS 139 will be effective for financial periods beginning on or after 1 January 2010.

The Group is exempted from disclosing the possible impact of the initial application of FRS 139. The other new and revised FRSs and interpretations that have not been early adopted are either not relevant to the Group's operations or the application are not expected to have any impact on the Group's financial statements.

2. Significant accounting policies (Contd.)

2.3 Changes in accounting policies, effects and change in comparatives arising from adoption of new and revised FRSs (Contd.)

The Malaysian Accounting Standards Board ("MASB") has also issued FRS 6: Exploration for and Evaluation of Mineral Resources and Amendment to FRS 119_{2004} :Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures which will be effective for annual periods beginning on or after 1 January 2007. Both FRS 6 and Amendment to FRS 119_{2004} are, however, not applicable to the Group and the Company.

The adoption of the new and revised FRSs above did not result in significant changes in the accounting policies of the Company.The principal effects of the changes in accounting policies resulting from the adoption of FRS 117 is set out as follow:

FRS 117: Leases

(i) Leasehold land held for own use

Prior to 1 July 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of the leasehold land in accordance with FRS 117. At 1 July 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the provision. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 2.3(ii), certain comparatives have been restated. The effects on the consolidated balance sheet as at 30 June 2008 are set out in Note 2.3(ii). There were no effects on the consolidated income statement for the year ended 30 June 2008 and the Company's financial statements.

2. Significant accounting policies (Contd.)

2.3 Changes in accounting policies, effects and change in comparatives arising from adoption of new and revised FRSs (Contd.)

(ii) Effect of adopting new and revised FRSs on the current year's financial statements

The table below provides estimates of the extent to which each of the line items in the balance sheet as at 30 June 2008 is higher or lower than it would have been had the previous policy been applied in the current year.

Effects on balance sheet as at 30 June 2008

Description of change **Group**	**Increase/ (decrease)** **FRS 117** **RM**
Plant and equipment	(2,958,792)
Prepaid land lease payments	2,958,792

Adoption of amendments to FRS 112

Prior to 1 January 2008, the Standard prohibits the recognition of deferred tax asset on unutilised Reinvestment Allowances. The revised standard (effective for accounting periods beginning on or after 1 July 2007) removes this requirement. Entities with unused Investment Tax Allowances and Reinvestment Allowances will have to recognise deferred tax asset on such unused Investment Tax Allowances and Reinvestment Allowances, to the extent that it is probable that future taxable profit will be available against which the unused Investment Tax Allowances and Reinvestment Allowances can be utilised.

The amendments to FRS 112 have no material effect on the financial statements of the Group and of the Company.

2. Significant accounting policies (Contd.)

2.4 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Allowance for bad and doubtful debts in respect of receivables

The policy for allowances for bad and doubtful debts of the Group is based on the evaluation of collectibility and ageing analysis of the receivables and on directors' judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, additional allowances may be required. Further details are given in Note 17.

(b) Key sources of estimation uncertainty

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

(i) Depreciation of plant and machineries

The costs of plant and machineries for each business segment is depreciated on a straight-line basis over the assets' useful lives with no residual value assumed at the end of their respective useful lives. This is due to the intention of management to continue running the operations until the end of the useful life of the assets. Management estimates the useful lives of these plant and machineries based on common life expectancies of assets of similar nature in the past. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets, therefore future depreciation charges could be revised.

(ii) Impairment of plant and machineries

As at balance sheet date, the Group undertook an impairment assessment on plant and machineries based on a variety of estimation including the value-in-use of the CGU to which the assets are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Based on management's assessment, the recoverable amount approximates the carrying value of the plant and machineries.

2. Significant accounting policies (Contd.)

2.4 Significant accounting estimates and judgements (Contd.)

(b) Key sources of estimation uncertainty (Contd.)

(iii) Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for all non-financial assets other than plant and machineries at each reporting date. Other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Impairment of investment in subsidiaries and other investments

At balance sheet date, management determines whether the carrying amounts of its investment in the subsidiaries and other investments are impaired. This involves assessing net assets of the subsidiaries as at year end and measuring the recoverable amounts which includes the fair value less cost to sell and valuation techniques. Valuation techniques include the use of discounted cash flow analysis, considering the current market value indicators and recent arms-length market transactions. These estimates provide reasonable approximation to the computation of recoverable amount.

Based on management's assessment, the recoverable amounts of the Company's investment in subsidiaries are no less than RM38,507,560 (2007: N/A). Further details of impairment losses recognised on other investments are disclosed in Note 14.

3. Revenue

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Management fees	-	-	374,626	-
Sales of books	4,340,506	6,575,981	-	-
Printing services	30,943,559	29,982,015	-	-
Binding services	35,353	62,953	-	-
	35,319,418	36,620,949	374,626	-

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4. Other income

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Gain on disposal of plant and equipment	339,250	492,498	-	-
Writeback of provision for doubtful debts - trade receivables	398,953	93,000	-	-
Sale of scrapped paper	150,000	110,000	-	-
Interest income	229,168	-	229,168	-
Others	967	875	-	-
	1,118,338	696,373	229,168	-

5. Operating profit/(loss)

The following amounts have been included in arriving at operating profit/(loss):

	GROUP		COMPANY	
	2008 RM	2007 RM	2008 RM	2007 RM
Auditors' remuneration	71,000	28,600	29,000	1,000
Directors' remunerations (Note 6)	335,264	219,520	198,848	-
Depreciation of plant and equipment	1,888,488	1,796,543	-	-
Amortisation of prepaid land lease payment (Note 11)	32,694	32,694	-	-
Plant and equipment written off	36,962	-	-	-
Inventories written off	-	135,152		
Inventories written down	-	33,000	-	-
Provision for doubtful debts	64,873	1,049,683	-	-
Foreign exchange losses				
- unrealised	44,958	-	-	-
- realised	95,550	45,194	-	-
Rent of premises	527,600	527,500	-	-
Rent of equipments	6,000	6,000	-	-
Staff costs				
- wages and salaries	2,790,584	2,837,282	-	-
- social security costs	32,570	34,110	-	-
- defined contribution plans	194,428	198,909	-	-
- other staff related expenses	265,540	143,631	-	-

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6. Director's remuneration

	GROUP		COMPANY	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Directors of the Company/ Subsidiaries				
Executive:				
- salaries and other emoluments	257,700	196,000	135,900	-
- defined contribution plans	30,924	23,520	16,308	-
	288,624	219,520	152,208	-
Non-Executive:				
- fees	44,000	-	44,000	-
- defined contribution plans	2,640	-	2,640	-
	46,640	-	46,640	-
Total	335,264	219,520	198,848	-

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed as below:

	2008		2007	
	Executive	**Non-Executive**	**Executive**	**Non-Executive**
Below RM50,000	-	2	-	-
RM50,001 - RM100,000	2	-	1	-
RM100,001 - RM150,000	1	-	1	-

7. Finance costs

	GROUP	
	2008	**2007**
	RM	**RM**
Interest expenses on:		
- bank overdrafts	4,726	26,449
- trust receipts	257,068	220,341
- bankers' acceptances	15,722	14,392
- term loans	6,442	45,464
- hire purchase payables	5,073	3,150
- others	27,951	15,206
	316,982	325,002

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8. Income tax expense

	GROUP		COMPANY	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Income tax:				
- Malaysian income tax	680,055	484,200	23,400	-
- Underprovision in prior years	3,879	35,643	-	-
	683,934	519,843	23,400	-
Deferred tax (Note 15):				
- Relating to origination and reversal of temporary differences	153,691	323,176	-	-
- Relating to changes in tax rate	(97,550)	(40,824)	-	-
- (Over)/under provision in prior years	(160,826)	3,529	-	-
	(104,685)	285,881	-	-
Tax expense for the year	579,249	805,724	23,400	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year except for certain subsidiaries which enjoy preferential tax rate of 20% on the first RM500,000 of assessable income. The domestic statutory tax rate will be reduced to 25% effective year of assessment 2009. The computation of deferred tax as at 30 June 2008 has reflected these changes.

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8. Income tax expense (Contd.)

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 and of the Company is as follows:

	2008 RM	2007 RM
Group		
Profit before taxation	6,767,260	5,522,199
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	1,759,488	1,490,994
Effects of lower tax rate applicable to small and medium scale companies	(32,836)	(67,720)
Effect of changes in tax rates on opening balance of deferred tax	(97,550)	(40,824)
Deferred tax recognised at different tax rate	(6,834)	-
Income not subject to tax	(119,720)	-
Expenses not deductible for tax purposes	74,562	213,279
Deferred tax assets not recognised during the year	14,486	2,295
Utilisation of current year's reinvestment allowance	(268,487)	(800,823)
Utilisation of previously unabsorbed reinvestment allowance	(586,913)	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowance	-	(30,649)
Underprovision of income tax in prior years	3,879	35,643
(Over)/underprovision of deferred tax in prior years	(160,826)	3,529
Tax expense for the year	579,249	805,724
Company		
Profit/(loss) before taxation	190,377	(4,595)
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	49,498	(1,241)
Effects of lower tax rate applicable to small and medium scale company	(7,016)	-
Income not subject to tax	(55,924)	
Expenses not deductible for tax purposes	36,842	1,241
Tax expense for the year	23,400	-

9. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2008	**2007**
	RM	**RM**
Earnings		
Net profit for the year	6,188,011	4,716,475
	No.	**No.**
Number of shares		
Weighted average number of ordinary shares in issue	61,666,667	41,409,542
Basic earnings per share	10.04 sen	11.39 sen

As for comparative figures, earnings per share for the financial year ended 30 June 2007 has been computed based on profit attributable to shareholders of RM4,716,475 and pre-Public Issue share capital of 41,409,542 ordinary shares after taking into account the Restructuring Exercise.

There are no shares in issue which have dilutive effect to the earnings per share of the Group.

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10. Plant and equipment

	Plant and equipment RM	Factory equipment, plant and machineries RM	Renovation RM	Office equipment, furiniture and fittings RM	Computers RM	Motor vehicles RM	Total RM
Group							
Cost/Deemed Cost							
At 1 July 2007	178,000	23,450,823	100,944	895,505	725,642	385,092	25,736,006
Additions	-	1,624,348	-	6,003	40,110	147,000	1,817,461
Disposals	-	(2,230,000)	-	-	-	-	(2,230,000)
Written off	-	(45,260)	-	-	-	-	(45,260)
At 30 June 2008	178,000	22,799,911	100,944	901,508	765,752	532,092	25,278,207
Accumulated Depreciation							
At 1 July 2007	178,000	10,752,754	90,703	768,634	589,844	354,740	12,734,675
Charge for the year	-	1,758,672	1,463	36,712	54,417	37,224	1,888,488
Disposals	-	(1,669,250)	-	-	-	-	(1,669,250)
Written off	-	(8,298)	-	-	-	-	(8,298)
At 30 June 2008	178,000	10,833,878	92,166	805,346	644,261	391,964	12,945,615
Net Book Value							
30 June 2008	-	11,966,033	8,778	96,162	121,491	140,128	12,332,592

10. Plant and equipment (Contd.)

	Plant and equipment RM	Factory equipment, plant and machineries RM	Renovation RM	Office equipment, furiniture and fittings RM	Computers RM	Motor vehicles RM	Total RM
Group							
Cost/Deemed Cost							
At 1 July 2006	178,000	16,711,907	100,944	878,206	582,364	385,092	18,836,513
Additions	-	8,030,916	-	17,299	143,278	-	8,191,493
Disposal	-	(1,292,000)	-	-	-	-	(1,292,000)
At 30 June 2007	178,000	23,450,823	100,944	895,505	725,642	385,092	25,736,006
Accumulated Depreciation							
At 1 July 2006	178,000	9,678,154	89,240	731,211	526,459	339,566	11,542,630
Depreciation charge for the year	-	1,679,098	1,463	37,423	63,385	15,174	1,796,543
Disposal	-	(604,498)	-	-	-	-	(604,498)
At 30 June 2007	178,000	10,752,754	90,703	768,634	589,844	354,740	12,734,675
Net Book Value							
30 June 2007	-	12,698,069	10,241	126,871	135,798	30,352	13,001,331

10. Plant and equipment (Contd.)

(a) Included in the plant and equipment of the Group are motor vehicles with net carrying amount of RM124,950 (2007:RM30,349) held under hire purchase arrangements.

(b) Acquisitions of plant and equipment during the financial year were by the following means:

	GROUP	
	2008 RM	2007 RM
Cash	1,670,461	8,191,493
Hire purchase arrangement	147,000	-
	1,817,461	8,191,493

(c) Carrying amount of plant and equipment pledged as securities for borrowings as at the balance sheet date is as follows:

	GROUP	
	2008 RM	2007 RM
Machineries	1,729,000	2,682,500

11. Prepaid land lease payments

	GROUP	
	2008 RM	2007 RM
Cost		
At beginning/end of of year	3,105,914	3,105,914
Accumulated amortisation		
At beginning of year	114,428	81,734
Amortisation	32,694	32,694
At end of year	147,122	114,428
Net carrying amount of long term leasehold land	2,958,792	2,991,486

The leasehold land is pledged as securities for borrowings as at balance sheet date.

12. Intangible assets

	GROUP	
	2008	**2007**
	RM	**RM**
Development costs		
At beginning/end of year	747,183	747,183

Development costs relate to expenditure incurred for developing educational products, and are not amortised as it is not available for sale as at 30 June 2008.

The recoverable amount of a cash-generating unit ("CGU") is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The following describes key assumptions on which the management has based its cash flow projections on:

(i) Revenue
The basis used to determine the revenue is based on readily available market of a similar product.

(ii) Expenditure
The basis used to determine the expenditure is the actual expenditure incurred through past experience in similar production of the product.

(iii) Growth rate
The basis used to determine the average growth rate is the expected revenue to be achieved based on a growth rate of 15% for the initial two-year period of the cash flow projections. Subsequently, it is assumed to be stagnant taking into consideration that there will be no product improvement and no new marketing strategies deployed.

(iv) Discount rate
A discount rate of 15% on a pre-tax basis is used in the assumption.

The directors expect the Group to fully recover all development costs incurred when the product is rolled out. However, factors could cause future results to differ from expectations. These factors include changes in economic conditions, competitive factors such as the introduction or enhancement of competitive products and pricing factors, reduction in product demand, changes in customers requirement etc. Should such factors result in material reduction in future economic benefits of the product, an impairment loss would be recognised immediately.

13. Investment in subsidiaries

	COMPANY 2008 RM	COMPANY 2007 RM
Unquoted investments, at cost	38,507,560	-

Details of the subsidiaries are as follows:

Company	Place of incorporation	Equity interest held (%) 2008	Equity interest held (%) 2007	Principal activities
Subsidiaries of the Company				
BHS Book Printing Sdn Bhd	Malaysia	100	-	Book and magazine printer
Pustaka Sistem Pelajaran Sdn Bhd	Malaysia	100	-	Book publisher
Star CTP Imaging Sdn Bhd	Malaysia	100	-	Book binder
Subsidiaries of Pustaka Sistem Pelajaran Sdn Bhd				
Pustaka Yakin Pelajar Sdn Bhd	Malaysia	100	-	Book publisher
System Multimedia and Internet Sdn Bhd	Malaysia	100	-	Book publisher using information & communication technology
System Publishing House Sdn Bhd	Malaysia	100	-	Book publishing and trading in books

13. Investment in subsidiaries (Contd.)

Acquisition of subsidiaries

On 8 August 2007, the Company acquired the entire equity interests in:

(i) Pustaka Pelajaran Sistem Sdn. Bhd. ("Sistem") for a purchase consideration of RM20,704,769 satisfied by the issuance of 41,409,539 new ordinary shares of RM0.50 each in the Company at an issue price of RM0.50 per new ordinary share.

(ii) BHS Book Printing Sdn Bhd comprising 3,950,000 ordinary shares of RM1.00 each from Sistem for a purchase consideration of RM16,878,790 satisfied by way of cash.

(iii) Star CTP Imaging Sdn Bhd comprising 150,000 ordinary shares of RM1.00 each from Sistem for a purchase consideration of RM924,000 satisfied by way of cash.

14. Other investments

	GROUP	
	2008 RM	2007 RM
At cost:		
Malaysian quoted investments	21,149	21,149
Less: Accumulated impairment losses	(8,461)	(8,461)
	12,688	12,688
Market value of Malaysian quoted investments	13,466	14,007

15. Deferred taxation

	GROUP	
	2008 RM	2007 RM
At beginning of year	1,477,750	1,191,869
Recognised in income statement (Note 8)	(104,685)	285,881
At end of year	1,373,065	1,477,750

15. Deferred taxation (Contd.)

	GROUP	
	2008	**2007**
	RM	**RM**
Presented after appropriate offsetting as follows:		
Deferred tax assets	(2,804)	(23,415)
Deferred tax liabilities	1,375,869	1,501,165
	1,373,065	1,477,750

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

Deferred tax liabilities of the Group:

	Plant and equipment RM
At 1 July 2006	1,215,471
Recognised in income statement	403,269
At 30 June 2007	1,618,740
Recognised in income statement	(170,785)
At 30 June 2008	1,447,955

Deferred tax assets of the Group:

	Tax losses RM	**Provisions RM**	**Others RM**	**Total RM**
At 1 July 2006	(23,602)	-	-	(23,602)
Recognised in income statement	(392)	(116,996)	-	(117,388)
At 30 June 2007	(23,994)	(116,996)	-	(140,990)
Recognised in income statement	21190	36,860	8,050	66,100
At 30 June 2008	(2,804)	(80,136)	8,050	(74,890)

15. Deferred taxation (Contd.)

Deferred tax assets that have not been recognised in the financial statements are as follows:

	GROUP	
	2008	2007
	RM	RM
Unutilised tax losses	169,017	92,366
Unabsorbed capital allowances	41,367	39,915
Unutilised reinvestment allowances	-	2,257,357
Others	-	22,390
	210,384	2,412,028
Net deferred tax benefits at 26%	54,700	627,127

The availability of the unutilised tax losses and unabsorbed capital allowances for off-setting against future taxable profits of the respective subsidiaries of the Group are subject to no substantial changes in the shareholdings of these subsidiaries under Income Tax Act, 1967 and guidelines issued by the tax authority. Other temporary differences are available indefinitely for offset against future taxable profits of the respective subsidiaries. Deferred tax assets have not been recognised where it is not probable that future taxable profits will be available against which the subsidiaries can utilise the benefits.

16. Inventories

	GROUP	
	2008	2007
	RM	RM
At cost:		
Raw materials and consumables	11,595,093	6,232,124
Finished goods	2,241,697	2,608,948
Inventories-in-transit	112,384	-
	13,949,174	8,841,072

17. Trade receivables

	GROUP	
	2008	2007
	RM	RM
Trade receivables	14,596,133	15,655,279
Less: Provision for doubtful debts	(245,954)	(1,068,975)
	14,350,179	14,586,304

The Group's normal trade credit term ranges from 30 days to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

As at the balance sheet date, total debts of the Group which have been outstanding for more than 335 days amounted to RM1,700,323 (2007: RM2,082,018). The directors have considered all pertinent information, including the ability of the debtors to repay these debts and are of opinion that these debts will be recovered in the normal course of business.

18. Other receivables

	GROUP		COMPANY	
	2008	2007	2008	2007
	RM	RM	RM	RM
Deposits and prepayments	159,643	1,065,657	500	854,796
Sundry receivables	1,318	76,081	-	-
	160,961	1,141,738	500	854,796

Included in other receivables are deposits amounting to RM40,800 (2007:RM40,800) placed with a company in which the directors have interest.

19. Amount due from/(to) subsidiaries

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed term of repayment and are to be settled in cash.

During the year, included in the amount due to subsidiaries is the purchase consideration for acquisitions of BHS Book Printing Sdn Bhd and Star CTP Imaging Sdn Bhd by the Company from its wholly owned subsidiary, Pustaka Sistem Pelajaran Sdn Bhd as disclosed in Note 13.

20. Cash and bank balances

	GROUP		COMPANY	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash on hand and at banks	3,720,036	1,863,444	105,064	2
Deposits with licensed banks	9,156,908	-	9,156,908	-
	12,876,944	1,863,444	9,261,972	2

The weighted average interest rates per annum of deposits at the balance sheet date were as follows:

	GROUP		COMPANY	
	2008	2007	2008	2007
	%	%	%	%
Licensed banks	2.17	-	2.17	-

The average maturities of deposits as at the end of the financial year were as follows:

	GROUP		COMPANY	
	2008	2007	2008	2007
	Days	Days	Days	Days
Licensed banks	30	-	30	-

21. Share capital

	Number of Ordinary Shares of RM0.50 Each		Amount	
	2008	2007	2008	2007
			RM	RM
Group				
Issued and fully paid:				
At beginning of year	41,409,542	41,409,542	20,704,771	20,704,771
Issued during the year	38,590,458	-	19,295,229	-
At end of year	80,000,000	41,409,542	40,000,000	20,704,771

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21. Share capital (Contd.)

	Number of Ordinary Shares of RM0.50 Each		Amount	
	2008	2007	2008 RM	2007 RM
Company				
Authorised:				
At beginning of year	200,000	200,000	100,000	100,000
Created during the year	199,800,000	-	99,900,000	-
At end of year	200,000,000	200,000	100,000,000	100,000
Issued and fully paid:				
At beginning of year	4	4	2	2
Issued during the year	79,999,996	-	39,999,998	-
At end of year	80,000,000	4	40,000,000	2

During the financial year, the Company increased its authorised ordinary share capital from RM100,000 to RM100,000,000 through the creation of 199,800,000 ordinary shares of RM0.50 each.

During the financial year, the Company increased its issued and paid-up share capital from RM2 to RM40,000,000 by way of:

(i) Ordinary shares issued for acquisition of subsidiaries
During the financial year, the Company issued 41,409,539 new ordinary shares of RM0.50 each at an issue price of RM0.50 per new ordinary share amounting RM20,704,769 as purchase consideration for the acquisition of the entire equity interest in Pustaka Sistem Pelajaran Sdn Bhd ("Sistem") (Note 13); and

(ii) Capitalisation of advances
During the financial year, the Company issued 9,840,000 new ordinary shares of RM0.50 each at an issue price of RM0.50 per new ordinary share amounting RM4,920,000 for the capitalisation of advances made by Harta Sistem Sdn Bhd to Sistem (RM4,320,000) and BHS Book Printing Sdn Bhd (RM600,000); and

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21. Share capital (Contd.)

(iii) Rights issue

Rights issue of 8,750,457 new ordinary shares of RM0.50 each in the Company on the basis of 10 new ordinary shares of RM0.50 each for approximately every 59 existing ordinary shares of RM0.50 each held at an issue price of RM0.50 per new ordinary share to Harta Sistem Sdn Bhd for total cash consideration of RM4,375,229; and

(iv) Initial public offering

In conjunction with the listing of the Company's shares on the Second Board of Bursa Malaysia Securities Berhad, the Company undertook an Initial Public Offering which involved a public issue of 20,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.68 per ordinary share, allocated in the following manner:

(i) 6,000,000 new ordinary shares of RM0.68 each for application by the Malaysian public;

(ii) 6,000,000 new ordinary shares of RM0.68 each for eligible directors, employees and business associates of the Group;

(iii) 4,400,000 new ordinary shares of RM0.68 each for application by Bumiputra investors approved by Ministry of International Trade and Industry; and

(iv) 3,600,000 new ordinary shares of RM0.68 each for application by way of private placement to identified investors.

Upon the completion of the Public Issue, the issued and paid up ordinary share capital of the Company increased to RM40,000,000 comprising 80,000,000 ordinary shares of RM0.50 each.

The entire issued and paid up share capital of the Company comprising 80,000,000 ordinary shares of RM0.50 each were admitted to the Official List of the Bursa Malaysia and qouted on the Second Board of Bursa Malaysia on 20 November 2007.

All new shares issued rank pari-passu with the existing shares in all respects with existing ordinary shares of the Company.

22. Share premium

	Group/Company	
	2008	2007
	RM	RM
At beginning of year	-	-
Issuance of new ordinary shares	3,600,000	-
Less: Share issue and listing expenses	(1,915,808)	-
At end of year	1,684,192	-

The share premium of RM3,600,000 arise from the issuance of 20,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.68 per ordinary share through the Initial Public Offering.

23. Merger reserve

Merger reserve represents the difference between the nominal value of shares issued by the Company over the nominal value of shares acquired in exchange for those shares, accounted for using the pooling-of-interest method.

24. Retained earnings

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

As at the financial year end, the Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 30 June 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 30 June 2008, the Company has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

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25. Borrowings

	GROUP	
	2008	2007
	RM	RM
Short term borrowings		
Secured:		
Hire purchase liabilities (Note 26)	39,545	6,984
Bank overdrafts	11,850	46,642
Trust receipts	705,419	1,633,766
Bankers' acceptances	1,150,000	-
Term loans	-	428,325
	1,906,814	2,115,717
Unsecured:		
Trust receipts	1,158,464	-
Bankers' acceptances	343,000	-
	1,501,464	-
	3,408,278	2,115,717
Long term borrowings		
Secured:		
Hire purchase liabilities (Note 26)	52,012	-
Term loans	-	2,943
	52,012	2,943
Total borrowings		
Hire purchase liabilities (Note 26)	91,557	6,984
Bank overdrafts	11,850	46,642
Trust receipts	1,863,883	1,633,766
Bankers' acceptances	1,493,000	-
Term loans	-	431,268
	3,460,290	2,118,660

25. Borrowings (Contd.)

	GROUP	
	2008	2007
	RM	RM
Maturity of borrowings		
Within 1 year	3,408,278	2,115,717
More than 1 year and less than 2 years	41,397	2,943
More than 2 years and less than 5 years	10,615	-
	3,460,290	2,118,660

The weighted average of effective interest rates and fair values as at the balance sheet date for borrowings, excluding hire purchase and finance lease liabilities, are as follows:

	Weighted average Interest rate		Fair value	
	2008	2007	2008	2007
	%	%	RM	RM
Bank overdrafts	8.50	8.50	11,850	46,642
Trust receipts	7.63	8.25	1,863,883	1,633,766
Bankers' acceptances	4.85	5.35	1,493,000	-
Term loans	-	2.75	-	431,268

Securities for the bank borrowings, are as follows:

(i) fixed legal charge over certain properties of a company in which the directors have interest;

(ii) joint and several guarantee by a company in which the directors have interest;

(iii) corporate guarantee by a company in which the directors have interest;

(iv) facilities agreement for the sum of RM1,500,000; and

(v) specific debenture on certain plant and machineries of the Group (Note 10 and Note 11).

26. Hire purchase payables

	GROUP 2008 RM	GROUP 2007 RM
Future minimum lease payments		
Not later than 1 year	42,864	8,034
Later than 1 year and not later than 2 years	42,864	-
Later than 2 years and not later than 5 years	10,692	-
	96,420	8,034
Less: future finance charges	(4,863)	(1,050)
Present value of finance leases	91,557	6,984
Analysis of present value of finance lease liabilities:		
Not later than 1 year	39,545	6,984
Later than 1 year and not later than 2 years	41,397	-
Later than 2 years and not later than 5 years	10,615	-
	91,557	6,984
Analysed as:		
Due within 12 months	39,545	6,984
Due after 12 months	52,012	-
	91,557	6,984

Other information on financial risks of hire purchase liabilities are disclosed as follows:

		Weighted average Interest rate		Fair value	
		2008	2007	2008	2007
Group	**Maturity**	**%**	**%**	**RM**	**RM**
Hire purchase liabilities	2008 to 2010	2.23	5.00	91,542	6,984

27. Trade payables

	GROUP	
	2008	2007
	RM	RM
Trade payables	1,460,868	1,958,420
Writers' royalty fees	238,853	383,834
Writers' fees	1,500	1,500
	1,701,221	2,343,754

The normal trade credit term granted to the Group ranges from 30 days to 120 days although it is customary for certain suppliers to extend credit terms to exceed 120 days but generally not more than 12 months.

28. Other payables

	GROUP		COMPANY	
	2008	2007	2008	2007
	RM	RM	RM	RM
Due to director	-	15,455	-	11,947
Dividend payable	-	2,750,000	-	-
Due to a related party	-	4,920,000	-	-
Other payables	1,786,267	7,498,472	12,075	852,910
Accruals	125,110	102,060	37,379	1,000
	1,911,377	15,285,987	49,454	865,857

In prior year, related party of the Group was Harta Sistem Sdn Bhd, of which certain directors of the Company have financial interests. The amount was unsecured, interest-free and settled by way of issuance of 9,840,000 new ordinary shares of RM0.50 each by the Company, as mentioned in Note 21 (ii).

29. Dividend

	GROUP 2008 RM	GROUP 2007 RM
Interim dividend of 104.0961% less 27% taxation, on 3,618,890 ordinary shares	-	2,750,000

In prior year, the dividend was paid by a subsidiary of the Group to Harta Sistem Sdn Bhd, previously a holding company of the subsidiary.

30. Significant related party transactions

(a) The Group had the following transactions with related parties during the financial year.

		Group 2008 RM	Group 2007 RM
Transactions with related parties *			
Rental paid to Rakan Bersatu Sdn Bhd	(i)	489,600	489,600
Sales to System Publishing House Pte. Ltd.	(ii)	(90,680)	(79,841)
Sales to System Trade Info Sdn Bhd	(ii)	-	(222,000)
Transactions with subsidiaries			
Management fees receivable from the following subsidiaries:			
BHS Book Printing Sdn Bhd	(iii)	311,001	-
Pustaka Sistem Pelajaran Sdn Bhd	(iii)	27,354	-
Star CTP Imaging Sdn Bhd	(iii)	36,271	-
Printing costs charged by BHS Book Printing Sdn Bhd	(iv)	132,974	-

* Related parties are companies in which certain directors have substantial shareholding and hold directorship.

30. Significant related party transactions (Contd.)

(a) The Group had the following transaction with related parties during the financial year (Contd.)

(i) Rental rates are in accordance with mutually agreed terms which are within the range of the prevailing market rates.

(ii) The sales of products were made according to terms mutually agreed between the parties.

(iii) The management fees receivable are charged at 2% of total monthly sales of the subsidiaries. During the financial year, management fees receivable from subsidiaries commenced in January 2008.

(iv) The printing costs charged by a subsidiary were made according to mutually agreed prices between the parties.

(b) Compensation of key management personnel

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Salaries and other emoluments	459,820	381,070	135,900	-
Bonus	25,775	23,188	-	-
Defined contribution plans	53,868	42,144	18,948	-
Fees	176,000	120,000	116,000	-
	715,463	566,402	270,848	-

30. Significant related party transactions (Contd.)

(b) Compensation of key management personnel (Contd.)

Included in the total key management personnel are:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Directors' remuneration (Note 6)	335,264	219,520	198,848	-

31. Financial instruments

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its risks. 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.

(b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt. The investments in financial assets are mainly short term in nature.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

(c) Foreign currency risk

The Group operates domestically but is exposed to various currencies, mainly United States Dollars and Euro Dollars arising from its import and export activities. Foreign currency denominated asset together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

31. Financial instruments (Contd.)

(c) Foreign currency risk (Contd.)

The net unhedged financial assets of the Group that are not denominated in their functional currencies are as follows:

Group	United States Dollars RM	Euro Dollars RM	Total RM
At 30 June 2008			
Trade receivables	880,534	51,716	932,250
Cash and bank balances	16,602	242,646	259,248
	897,136	294,362	1,191,498
At 30 June 2007			
Trade receivables	1,139,638	86,778	1,226,416
Cash and bank balances	163,027	39,400	202,427
	1,302,665	126,178	1,428,843

(d) Liquidity risk

The Group periodically reviews its funding requirements to ensure sufficient liquidity is available to meet its working capital requirements.

(e) Fair values

It is not practical to determine the fair values of amounts due from/(to) subsidiaries due principally to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the directors do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The fair values of all other financial assets and liabilities of the Group and of the Company as at 30 June 2008 are not materially different from their carrying values.

32. Comparatives

As disclosed in Note 2.2 (a), the Group came into existence only during the financial year and accordingly, the comparative figures for the financial statements of the Group, comprising balance sheets, income statements, statement of changes of equity and cash flow statements with related notes are presented as if the entities had been combined at the previous balance sheet date.

33. Segment information

(a) Business segments

The Group comprises two main business segments, namely printing and publishing. Other operations of the Group mainly comprise binding services and educational electronic products using information and communication technology, neither of which contitutes a separately reportable segment.

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

	Printing RM	Publishing RM	Others RM	Eliminations RM	Consolidated RM
30 June 2008					
Revenue					
External sales	30,943,559	4,340,506	35,353	-	35,319,418
Inter-segment sales	2,089,612	8,000	3,574,908	(5,672,520)	-
	33,033,171	4,348,506	3,610,261	(5,672,520)	35,319,418
Results					
Segment results	5,786,720	212,364	1,085,158		7,084,242
Finance costs					(316,982)
Taxation					(579,249)
Net profit for the year					6,188,011
Assets					
Segment assets	38,310,494	9,266,192	10,555,473		58,132,159
Liabilities					
Segment liabilities	7,646,112	367,815	560,369		8,574,296
Other information					
Depreciation	1,421,863	64,092	402,533		1,888,488
Amortisation	32,694	-	-		32,694

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33. Segment information (Contd.)

(a) Business segments (Contd.)

	Printing RM	Publishing RM	Others RM	Eliminations RM	Consolidated RM
30 June 2007					
Revenue					
External sales	29,982,015	6,575,982	62,952	-	36,620,949
Inter-segment sales	2,190,232	57,440	2,815,329	(5,063,001)	-
	32,172,247	6,633,422	2,878,281	(5,063,001)	36,620,949
Results					
Segment results	4,859,790	2,378,203	949,208	(2,340,000)	5,847,201
Finance costs					(325,002)
Taxation					(805,724)
Net profit for the year					4,716,475
Assets					
Segment assets	33,921,417	7,220,697	2,507,684		43,649,798
Liabilities					
Segment liabilities	12,180,879	7,472,503	1,605,985		21,259,367
Other information					
Depreciation	1,357,026	76,014	363,503		1,796,543
Amortisation	32,694	-	-		32,694

(b) Geographical segments

The Group operates principally in Malaysia. Accordingly, no geographical segment information is provided.