

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

Directors' Report and Audited Financial Statements
30 June 2009

Ernst & Young
AF : 0039

719660-W

**BHS Industries Berhad
(Incorporated in Malaysia)**

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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 2009.

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 14 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	<u>6,603,138</u>	<u>4,079,864</u>

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

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2009, of 3 sen per ordinary share on 75,000,000 ordinary shares, amounting to a dividend payable of RM2,250,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2010.

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**BHS Industries Berhad
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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

Liew Sai Ying

Heng Boon Seng

Chew Yuit Yoo

Shamsudin @ Samad bin Kassim

Thiang Chew Lan

(appointed on 30 January 2009)

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 31 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests 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:

The Company	← Number of Ordinary Shares of RM0.50 Each →			
	1 July 2008	Acquired	Sold	30 June 2009
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
Shamsudin @ Samad bin Kassim	10,000	-	-	10,000
Thiang Chew Lan	49,700 *	20,000	-	69,700

* Held as at the date of appointment.

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Directors' interests (Contd.)

The Company	← Number of Ordinary Shares of RM0.50 Each →			
	1 July 2008	Acquired	Sold	30 June 2009
Indirect interest:				
Heng Song Khoon #	31,949,543	-	-	31,949,543
Liew Sai Ying #	31,949,543	-	-	31,949,543
Chew Yuit Yoo **	50,100	22,000	-	72,100
Thiang Chew Lan **	-	30,000	-	30,000

Deemed interested by virtue of his/her interest in Harta Sistem Sdn Bhd

** Pursuant to Section 134(12)(c) of the Companies Act, 1965.

By virtue of their interests in the shares of the Company, Heng Song Khoon, Liew Sai Ying and Heng Boon Seng are deemed to be interested in the shares of all the subsidiaries of the Company to the extent that the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in the shares of the Company or its related corporations during the financial year.

Treasury shares

During the financial year, the Company repurchased 5,000,000 of its issued ordinary shares from the open market at prices ranging from RM0.36 to RM0.38 per share. The total consideration paid for the repurchase including transaction costs was RM1,839,324. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. Further details are disclosed in Note 23 to the financial statements.

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 there were no known bad debts 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.

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Other statutory information (contd.)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) it necessary to write off any bad debt or the amount of the provision for doubtful debts in respect of these 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 or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or 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 or of the Company for the financial year in which this report is made.

Subsequent events

Details of subsequent events are disclosed in Note 32 to the financial statements.

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**BHS Industries Berhad
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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 28 October 2009.

Heng Song Khoon

Liew Sai Ying

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**BHS Industries Berhad
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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 61 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 2009 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 28 October 2009.

Heng Song Khoon

Liew Sai Ying

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

I, Koo Thiam Yen, being the officer 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 61 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 Koo Thiam Yen
at Kuala Lumpur in the Federal Territory
on 28 October 2009.

Koo Thiam Yen

Before me,

No: W 480
R. Vasugi Ammal, PJK

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**Independent auditors' report to the members of
BHS Industries Berhad
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of BHS Industries Berhad, which comprise the balance sheets as at 30 June 2009, 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 61.

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 judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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
BHS Industries Berhad (contd.)
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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 2009 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of the subsidiary of which we have not acted as auditors, which are indicated in Note 14 to the financial statements, being accounts that have been included in the consolidated financial statements.
- (c) 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.
- (d) 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.

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**Independent auditors' report to the members of
BHS Industries Berhad (contd.)
(Incorporated in Malaysia)**

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
28 October 2009

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

BHS Industries Berhad
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Income statements
For the year ended 30 June 2009

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Revenue	3	53,511,277	35,319,418	1,208,996	374,626
Cost of sales		(40,661,041)	(25,483,813)	-	-
Gross profit		12,850,236	9,835,605	1,208,996	374,626
Other income	4	1,845,264	1,118,338	3,939,418	229,168
Operating expenses		(5,697,739)	(3,869,701)	(981,151)	(413,417)
Operating profit	5	8,997,761	7,084,242	4,167,263	190,377
Finance costs	7	(220,042)	(316,982)	-	-
Profit before taxation		8,777,719	6,767,260	4,167,263	190,377
Income tax expense	8	(2,174,581)	(579,249)	(87,399)	(23,400)
Net profit after taxation		6,603,138	6,188,011	4,079,864	166,977
Earnings per share attributable to equity holders of the Company	9	8.41 sen	10.04 sen		

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

BHS Industries Berhad
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Balance sheets
As at 30 June 2009

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Assets					
Non-current assets					
Plant and equipment	11	13,426,669	12,332,592	110,248	-
Prepaid land lease payments	12	-	2,958,792	-	-
Intangible assets	13	-	747,183	-	-
Investment in subsidiaries	14	-	-	38,507,565	38,507,560
Other investments	15	512,688	12,688	500,000	-
Deferred tax assets	16	2,804	2,804	-	-
		<u>13,942,161</u>	<u>16,054,059</u>	<u>39,117,813</u>	<u>38,507,560</u>
Current assets					
Inventories	17	12,527,097	13,949,174	-	-
Short term investments	18	10,380,773	9,156,908	7,374,598	9,156,908
Trade receivables	19	10,320,811	14,350,179	-	-
Other receivables	20	299,616	160,961	40,672	500
Amount due from subsidiaries	21	-	-	3,675,649	112,948
Tax recoverable		864,536	740,842	34,066	4,350
Cash and bank balances	22	9,510,592	3,720,036	334,935	105,064
		<u>43,903,425</u>	<u>42,078,100</u>	<u>11,459,920</u>	<u>9,379,770</u>
Asset classified as held for sale	10	2,926,098	-	-	-
		<u>46,829,523</u>	<u>42,078,100</u>	<u>11,459,920</u>	<u>9,379,770</u>
Total assets		<u>60,771,684</u>	<u>58,132,159</u>	<u>50,577,733</u>	<u>47,887,330</u>
Equity and liabilities					
Equity attributable to equity holders of Company:					
Share capital	23	40,000,000	40,000,000	40,000,000	40,000,000
Share premium	23	1,684,192	1,684,192	1,684,192	1,684,192
Treasury shares	23	(1,839,324)	-	(1,839,324)	-
Other reserves	24	(16,832,929)	(16,832,846)	-	-
Retained earnings	25	31,309,655	24,706,517	4,235,780	155,916
Shareholders' equity		<u>54,321,594</u>	<u>49,557,863</u>	<u>44,080,648</u>	<u>41,840,108</u>

BHS Industries Berhad
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Balance sheets
As at 30 June 2009 (contd.)

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Non-current liabilities					
Bank borrowings	26	32,756	52,012	-	-
Deferred tax liabilities	16	1,703,869	1,375,869	-	-
		<u>1,736,625</u>	<u>1,427,881</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade payables	28	1,877,562	1,701,221	-	-
Other payables	29	2,106,410	1,911,377	98,338	49,454
Amount due to subsidiaries	21	-	-	6,398,747	5,997,768
Bank borrowings	26	61,871	3,408,278	-	-
Tax payable		667,622	125,539	-	-
		<u>4,713,465</u>	<u>7,146,415</u>	<u>6,497,085</u>	<u>6,047,222</u>
Total liabilities		<u>6,450,090</u>	<u>8,574,296</u>	<u>6,497,085</u>	<u>6,047,222</u>
Total equity and liabilities		<u>60,771,684</u>	<u>58,132,159</u>	<u>50,577,733</u>	<u>47,887,330</u>

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

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BHS Industries Berhad
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Consolidated statement of changes in equity
For the year ended 30 June 2009

Group	Note	Non-distributable			Distributable		Total equity RM
		Share capital RM	Share premium RM	Other reserve RM	Treasury shares RM	Retained earnings RM	
At 1 July 2007		20,704,771	-	(16,832,846)	-	18,518,506	22,390,431
Issue of ordinary shares pursuant to:							
- capitalisation of advances		4,920,000	-	-	-	-	4,920,000
- rights issue		4,375,229	-	-	-	-	4,375,229
- public issue		10,000,000	3,600,000	-	-	-	13,600,000
Share issue and listing expenses, representing net losses not recognised in income statement		-	(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
Repurchase of shares	23	-	-	-	(1,839,324)	-	(1,839,324)
Foreign currency translation		-	-	(83)	-	-	(83)
Net profit for the year		-	-	-	-	6,603,138	6,603,138
At 30 June 2009		40,000,000	1,684,192	(16,832,929)	(1,839,324)	31,309,655	54,321,594

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BHS Industries Berhad
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Statement of changes in equity
For the year ended 30 June 2009

Company	Note	Non-distributable		Distributable		Total equity RM
		Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	
At 1 July 2007		2	-	-	(11,061)	(11,059)
Issue of ordinary shares pursuant to:						
- acquisition of subsidiaries		20,704,769	-	-	-	20,704,769
- capitalisation of advances		4,920,000	-	-	-	4,920,000
- rights issue		4,375,229	-	-	-	4,375,229
- public issue		10,000,000	3,600,000	-	-	13,600,000
Share issue and listing expenses, representing net losses not recognised in income statement		-	(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
Repurchase of shares	23	-	-	(1,839,324)	-	(1,839,324)
Net profit for the year		-	-	-	4,079,864	4,079,864
At 30 June 2009		40,000,000	1,684,192	(1,839,324)	4,235,780	44,080,648

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

BHS Industries Berhad
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Cash flow statements
For the year ended 30 June 2009

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Cash flows from operating activities					
Profit before taxation		8,777,719	6,767,260	4,167,263	190,377
Adjustments for:					
Depreciation of plant and equipment		1,851,099	1,888,488	19,456	-
Amortisation of prepaid land lease payments		32,694	32,694	-	-
Interest expense		220,042	316,982	-	-
Interest income		(61,692)	(14,077)	(339)	(14,077)
Plant and equipment written off		-	36,962	-	-
Provision for stock obsolescence		107,837	-	-	-
Impairment of intangible assets		747,183	-	-	-
Provision for doubtful debts		596,428	64,873	-	-
Gain on disposal of plant and equipment		(702,086)	(339,250)	-	-
Gain on disposal of other investments		(59,389)	-	(59,389)	-
Unrealised gain from short term investments		(217,690)	(215,091)	(217,690)	(215,091)
Writeback of provision for doubtful debts of trade receivables		(176,435)	(398,953)	-	-
Unrealised foreign exchange loss		-	44,958	-	-
Operating profit/(loss) before working capital changes		11,115,710	8,184,846	3,909,301	(38,791)
Changes in working capital:					
Inventories		1,314,240	(5,108,102)	-	-
Receivables		3,470,720	1,506,024	(40,172)	854,296
Payables		371,374	(6,347,143)	48,884	(816,404)
Subsidiaries		-	-	(3,161,722)	10,804,820
Cash generated from/(used in) operations		16,272,044	(1,764,375)	756,291	10,803,921
Taxes paid		(1,428,192)	(867,901)	(117,115)	(27,750)
Interest paid		(220,042)	(316,982)	-	-
Interest received		61,692	14,077	339	14,077
Net cash generated from/ (used in) operating activities		14,685,502	(2,935,181)	639,515	10,790,248

BHS Industries Berhad
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Cash flow statements
For the year ended 30 June 2009 (contd.)

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Cash flows from investing activities					
Purchase of:					
- Plant and equipment		(2,885,440)	(1,670,461)	(129,704)	-
- Investments		(3,506,175)	(8,941,817)	(500,000)	(8,941,817)
Net proceeds from disposal of investments		2,059,389	-	2,059,389	-
Proceeds from disposal of plant and equipment		702,350	900,000	-	-
Acquisitions of subsidiaries		-	-	(5)	(17,802,790)
Net cash (used in)/ generated from investing activities		<u>(3,629,876)</u>	<u>(9,712,278)</u>	<u>1,429,680</u>	<u>(26,744,607)</u>
Cash flows from financing activities					
Proceeds from issuance of new shares		-	17,975,229	-	17,975,229
Purchase of treasury shares	23	(1,839,324)	-	(1,839,324)	-
Payment of share issue and listing expenses		-	(1,915,808)	-	(1,915,808)
Dividend paid		-	(2,750,000)	-	-
Repayment of term loans		-	(431,268)	-	-
Net (repayment)/drawdown of other borrowings		(3,356,883)	1,723,117	-	-
Repayment of hire purchase obligations		(56,930)	(62,427)	-	-
Net cash (used in)/generated from financing activities		<u>(5,253,137)</u>	<u>14,538,843</u>	<u>(1,839,324)</u>	<u>16,059,421</u>
Net increase in cash and cash equivalents		5,802,489	1,891,384	229,871	105,062
Effects of foreign exchange rate changes		(83)	-	-	-
Cash and cash equivalents at beginning of year		<u>3,708,186</u>	<u>1,816,802</u>	<u>105,064</u>	<u>2</u>
Cash and cash equivalents at end of year		<u>9,510,592</u>	<u>3,708,186</u>	<u>334,935</u>	<u>105,064</u>

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BHS Industries Berhad
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Cash flow statements
for the year ended 30 June 2009 (contd.)

Cash and cash equivalents comprise the following:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Cash and bank balances	9,510,592	3,720,036	334,935	105,064
Bank overdrafts	-	(11,850)	-	-
	<u>9,510,592</u>	<u>3,708,186</u>	<u>334,935</u>	<u>105,064</u>

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 2009

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia. It is listed on the Main Market 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.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 October 2009.

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).

2.2 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 their activities. The existence and effect of potential voting rights that are currently exercisable 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.

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2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

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

(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.

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 statutes 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.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control 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.

(b) 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.

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2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(b) Intangible assets (contd.)

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.

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.

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2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

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

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 machinery	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.

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 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.

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2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(d) Impairment of non-financial assets (contd.)

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.

(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.

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2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(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 and short term investments

Marketable securities and short term investments 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 quoted 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.

(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.

**BHS Industries Berhad
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2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(f) Financial instruments (contd.)

(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.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by re-sale, the difference between the sales consideration and the carrying amount is recognised in equity.

(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 buildings 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.

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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.

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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.

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2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(j) Employee benefits (contd.)

(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").

(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.

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2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(k) Foreign currencies (contd.)

(ii) Foreign currency transactions (contd.)

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.

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

	2009	2008
	RM	RM
United States Dollars	3.52	3.27
Euro Dollars	4.97	5.16

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

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2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(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.

(m) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, the assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

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2. Significant accounting policies (contd.)

2.3 Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new FRSs, Amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRSs, Amendments to FRSs and Interpretations		Effective for financial periods beginning on or after
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 123	Borrowing Costs (revised)	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
FRS 101	Presentation of Financial Statements (revised)	1 January 2010
Amendment to FRS 132	Financial Instruments: Presentation	1 January 2010
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
Amendment to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 2	Vesting Conditions and Cancellations	1 January 2010
Amendment to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 7	Financial Instruments: Disclosures	1 January 2010
Amendment to IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim financial reporting and impairment	1 January 2010
IC Interpretation 11	FRS 2 – Group Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7, FRS 139 and Amendments to FRS 139, FRS 7 and IC Interpretation 9.

The other new FRSs, revised FRSs, Amendments to FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 8, FRS101, FRS117 and FRS136.

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2. Significant accounting policies (contd.)

2.4 Significant accounting judgements and estimates

(a) Critical judgements made in applying accounting policies

There were no significant judgements made in applying the accounting policies of the Company which may have significant effects of the amounts recognised in the financial statements.

(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) 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 19.

(ii) 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.

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2. Significant accounting policies (contd.)

2.4 Significant accounting judgements and estimates (contd.)

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

(iii) Impairment of plant and machineries

As at balance sheet date, the Group undertook an impairment assessment on plant and machinery 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 machinery.

(iv) Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for all non-financial assets other than plant and machinery 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.

Based on the impairment assessment of intangible assets performed by the directors, a full impairment loss of RM747,183 had been recognised in the income statement.

(v) 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 and other investments are no less than their carrying amounts as at year end.

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3. Revenue

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Management fees	-	-	1,208,996	374,626
Sales of books	3,105,230	4,340,506	-	-
Printing and binding services	50,406,047	30,978,912	-	-
	<u>53,511,277</u>	<u>35,319,418</u>	<u>1,208,996</u>	<u>374,626</u>

4. Other income

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Gain on disposal of plant and equipment	702,086	339,250	-	-
Writeback of provision for doubtful debts of trade receivables	176,435	398,953	-	-
Sale of scrapped paper	180,000	150,000	-	-
Unrealised gain from short term investments	217,690	215,091	217,690	215,091
Interest income	61,692	14,077	339	14,077
Dividend income	52,875	875	3,662,000	-
Realised gain on foreign exchange	395,060	-	-	-
Gain on disposal of other investments	59,389	-	59,389	-
Others	37	92	-	-
	<u>1,845,264</u>	<u>1,118,338</u>	<u>3,939,418</u>	<u>229,168</u>

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5. Operating profit

The following amounts have been included in arriving at operating profit:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Auditors' remuneration				
- current year	66,000	71,000	29,000	29,000
- overprovision in prior year	(6,000)	-	-	-
Directors' remunerations (Note 6)	823,600	335,264	596,240	198,848
Depreciation of plant and equipment	1,851,099	1,888,488	19,456	-
Amortisation of prepaid land lease payment	32,694	32,694	-	-
Impairment of intangible assets (Note 13)	747,183	-	-	-
Plant and equipment written off	-	36,962	-	-
Provision for stock obsolescence	107,837	-	-	-
Provision for doubtful debts	596,428	64,873	-	-
Foreign exchange losses				
- unrealised	-	44,958	-	-
- realised	-	95,550	-	-
Rent of premises	586,105	527,600	-	-
Rent of equipment	6,000	6,000	-	-
Staff costs				
- wages and salaries	3,067,616	2,790,584	-	-
- social security costs	30,449	32,570	-	-
- defined contribution plans	183,863	194,428	-	-
- other staff related expenses	129,557	265,540	-	-

6. Director's remuneration

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Directors of the Company/ Subsidiaries				
Executive:				
- salaries and other emoluments	681,000	257,700	478,000	135,900
- defined contribution plans	81,720	30,924	57,360	16,308
	<u>762,720</u>	<u>288,624</u>	<u>535,360</u>	<u>152,208</u>

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6. Director's remuneration (contd.)

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Non-Executive:				
- fees	58,000	44,000	58,000	44,000
- defined contribution plans	2,880	2,640	2,880	2,640
	<u>60,880</u>	<u>46,640</u>	<u>60,880</u>	<u>46,640</u>
Total directors' remuneration	823,600	335,264	596,240	198,848
Estimated money value of benefits-in-kind	<u>21,657</u>	<u>4,875</u>	<u>6,600</u>	<u>-</u>
Total directors' remuneration including benefits-in-kind	<u>845,257</u>	<u>340,139</u>	<u>602,840</u>	<u>198,848</u>

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

	2009		2008	
	Executive	Non-Executive	Executive	Non-Executive
Below RM50,000	-	3	-	2
RM50,001 - RM100,000	-	-	2	-
RM100,001 - RM150,000	-	-	1	-
RM150,001 - RM200,000	2	-	-	-
RM300,001 - RM400,000	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>

7. Finance costs

	Group	
	2009 RM	2008 RM
Interest expenses on:		
- bank overdrafts	8,437	4,726
- trust receipts	175,919	257,068
- bankers' acceptances	5,488	15,722
- term loans	-	6,442
- hire purchase payables	5,678	5,073
- others	<u>24,520</u>	<u>27,951</u>
	<u>220,042</u>	<u>316,982</u>

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8. Income tax expense

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Income tax:				
- Malaysian income tax	1,856,000	680,055	107,000	23,400
- (Over)/underprovision in prior years	(9,419)	3,879	(19,601)	-
	<u>1,846,581</u>	<u>683,934</u>	<u>87,399</u>	<u>23,400</u>
Deferred tax (Note 16):				
- Relating to origination and reversal of temporary differences	241,312	153,691	-	-
- Relating to changes in tax rate	(55)	(97,550)	-	-
- Under/(over) provision in prior years	86,743	(160,826)	-	-
	<u>328,000</u>	<u>(104,685)</u>	<u>-</u>	<u>-</u>
Tax expense for the year	<u>2,174,581</u>	<u>579,249</u>	<u>87,399</u>	<u>23,400</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year.

In the prior year, certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualified for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income:	20%
In excess of RM500,000 of chargeable income:	26%

However, pursuant to Paragraph 2B, Schedule 1 of the Income Tax Act, 1967 that was introduced with effect from the year of assessment 2009, these subsidiaries no longer qualify for the above preferential tax rates.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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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:

	2009	2008
	RM	RM
Group		
Profit before taxation	8,777,719	6,767,260
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	2,194,430	1,759,488
Effects of lower tax rate applicable to small and medium scale companies	-	(32,836)
Effect of changes in tax rates on opening balance of deferred tax	-	(97,550)
Effect of different tax rates in other jurisdictions	414	-
Deferred tax recognised at different tax rate	-	(6,834)
Income not subject to tax	(59,217)	(119,720)
Expenses not deductible for tax purposes	50,013	74,562
Deferred tax assets not recognised during the year	283,452	14,486
Utilisation of current year's reinvestment allowance	(371,835)	(268,487)
Utilisation of previously unabsorbed reinvestment allowance	-	(586,913)
(Over)/underprovision of income tax in prior years	(9,419)	3,879
Under/(over)provision of deferred tax in prior years	86,743	(160,826)
Tax expense for the year	<u>2,174,581</u>	<u>579,249</u>
Company		
Profit before taxation	4,167,263	190,377
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	1,041,816	49,498
Effects of lower tax rate applicable to small and medium scale company	-	(7,016)
Income not subject to tax	(960,173)	(55,924)
Expenses not deductible for tax purposes	25,357	36,842
Overprovision in prior year	(19,601)	-
Tax expense for the year	<u>87,399</u>	<u>23,400</u>

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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	
	2009	2008
	RM	RM
Earnings		
Net profit for the year	6,603,138	6,188,011
	<u>6,603,138</u>	<u>6,188,011</u>
Number of shares	No.	No.
Weighted average number of ordinary shares in issue	78,517,895	61,666,667
	<u>78,517,895</u>	<u>61,666,667</u>
Basic earnings per share	8.41 sen	10.04 sen
	<u>8.41 sen</u>	<u>10.04 sen</u>

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

10. Asset classified as held for sale

Group

Asset classified as held for sale on the Group's balance sheet as at 30 June 2009 is as follows:

	Prepaid land lease payments RM
Carrying amount before/after classification as at 30 June 2009	<u>2,926,098</u>

During the year, the Group was actively locating prospective buyer for a parcel of leasehold industrial land situated at Mukim Cheras, Daerah Hulu Langat, Selangor. The proposed disposal of land is in line with the abortion of the Group's original plan to construct a new corporate building on the said land.

On 20 July 2009, the Company announced that its subsidiary, BHS Book Printing Sdn. Bhd., had entered into a Sale and Purchase Agreement ("SPA") with a third party to dispose the said land for a cash consideration of RM4,213,778.

The completion of the SPA is subject to the conditions precedent in the SPA and accordingly the carrying amount of the leasehold land at RM2,926,098 is presented and classified on the consolidated balance sheet as asset held for sale as at 30 June 2009.

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11. Plant and equipment

Group	Plant and equipment RM	Factory equipment, plant and machinery RM	Renovation RM	Office equipment, furniture and fittings RM	Computers RM	Motor vehicles RM	Total RM
Cost/deemed cost							
At 1 July 2008	178,000	22,799,911	100,944	901,508	765,752	532,092	25,278,207
Additions	-	2,532,476	-	6,140	15,268	391,556	2,945,440
Disposals	-	(903,100)	-	-	-	(39,364)	(942,464)
At 30 June 2009	<u>178,000</u>	<u>24,429,287</u>	<u>100,944</u>	<u>907,648</u>	<u>781,020</u>	<u>884,284</u>	<u>27,281,183</u>
Accumulated depreciation							
At 1 July 2008	178,000	10,833,878	92,166	805,346	644,261	391,964	12,945,615
Charge for the year	-	1,668,547	1,463	29,485	49,914	101,690	1,851,099
Disposals	-	(902,836)	-	-	-	(39,364)	(942,200)
At 30 June 2009	<u>178,000</u>	<u>11,599,589</u>	<u>93,629</u>	<u>834,831</u>	<u>694,175</u>	<u>454,290</u>	<u>13,854,514</u>
Net book value							
At 30 June 2009	<u>-</u>	<u>12,829,698</u>	<u>7,315</u>	<u>72,817</u>	<u>86,845</u>	<u>429,994</u>	<u>13,426,669</u>

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11. Plant and equipment (contd.)

	Plant and equipment RM	Factory equipment, plant and machinery RM	Renovation RM	Office equipment, furniture and fittings RM	Computers RM	Motor vehicles RM	Total RM
Group (contd.)							
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	<u>178,000</u>	<u>22,799,911</u>	<u>100,944</u>	<u>901,508</u>	<u>765,752</u>	<u>532,092</u>	<u>25,278,207</u>
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	<u>178,000</u>	<u>10,833,878</u>	<u>92,166</u>	<u>805,346</u>	<u>644,261</u>	<u>391,964</u>	<u>12,945,615</u>
Net book value							
At 30 June 2008	<u>-</u>	<u>11,966,033</u>	<u>8,778</u>	<u>96,162</u>	<u>121,491</u>	<u>140,128</u>	<u>12,332,592</u>

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11. Plant and equipment (contd.)

Company	Motor vehicle RM
Cost	
At 1 July 2007/30 June 2008	-
Additions	129,704
At 30 June 2009	<u>129,704</u>
Accumulated depreciation	
At 1 July 2007/30 June 2008	-
Charge for the year	19,456
At 30 June 2009	<u>19,456</u>
Net book value	
At 30 June 2009	<u>110,248</u>
At 30 June 2008	<u>-</u>

(a) Included in the plant and equipment of the Group are motor vehicles with net carrying amount of RM186,827 (2008:RM124,950) held under hire purchase arrangements.

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash	2,885,440	1,670,461	129,704	-
Hire purchase arrangement	60,000	147,000	-	-
	<u>2,945,440</u>	<u>1,817,461</u>	<u>129,704</u>	<u>-</u>

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

	Group	
	2009 RM	2008 RM
Machinery	<u>-</u>	<u>1,729,000</u>

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12. Prepaid land lease payments

	Group	
	2009	2008
	RM	RM
Cost		
At beginning of year	3,105,914	3,105,914
Reclassified as held for sale (Note 10)	(3,105,914)	-
At end of year	<u>-</u>	<u>3,105,914</u>
Accumulated amortisation		
At beginning of year	147,122	114,428
Amortisation	32,694	32,694
Reclassified as held for sale (Note 10)	(179,816)	-
At end of year	<u>-</u>	<u>147,122</u>
Net carrying amount of long term leasehold land	<u>-</u>	<u>2,958,792</u>

The leasehold land was pledged as securities for borrowings in previous financial year.

13. Intangible assets

	Group	
	2009	2008
	RM	RM
Development costs		
At beginning/end of year	<u>747,183</u>	<u>747,183</u>
Accumulated impairment loss		
At beginning of the year	-	-
Impairment loss recognised in profit or loss (Note 5)	747,183	-
At end of the year	<u>747,183</u>	<u>-</u>
Net carrying amount	<u>-</u>	<u>747,183</u>

Development costs relate to expenditure incurred for developing educational products.

Full impairment of RM747,183 had been recognised during the year, due to poor market response towards the product developed when it was rolled out.

The directors are of the view that the recoverable amount will be significantly lower than the carrying value of the product, after having considered the lack of future saleability of the product and competitive factors. Accordingly, full impairment was made.

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14. Investment in subsidiaries

	Company	
	2009	2008
	RM	RM
Unquoted shares, at cost	<u>38,507,565</u>	<u>38,507,560</u>

Details of the subsidiaries are as follows:

Company	Place of incorporation	Equity interest held (%)		Principal activities
		2009	2008	
Subsidiaries of the Company				
BHS Book Printing Sdn Bhd	Malaysia	100	100	Book and magazine printer
Pustaka Sistem Pelajaran Sdn Bhd	Malaysia	100	100	Book publisher
Star CTP Imaging Sdn Bhd	Malaysia	100	100	Book binder
BHS Resources Pte Ltd *	Singapore	100	-	Property investment
Subsidiaries of Pustaka Sistem Pelajaran Sdn Bhd				
Pustaka Yakin Pelajar Sdn Bhd	Malaysia	100	100	Book publisher
System Multimedia and Internet Sdn Bhd	Malaysia	100	100	Book publisher using information and technology
System Publishing House Sdn Bhd	Malaysia	100	100	Book publishing and trading in books

* Audited by a firm of auditors other than Ernst & Young

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14. Investment in subsidiaries (Contd.)

(a) Acquisition of a new subsidiary

During the year, the Company subscribed for 2 new ordinary shares of SGD1.00 each in BHS Resources Pte Ltd ("BHSR") for a cash consideration of SGD2.00, resulting in BHSR becoming a wholly-owned subsidiary. The acquisition has no significant effect on the financial position and the performance of the Group.

15. Other investments

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
At cost:				
Malaysian quoted investments	521,149	21,149	500,000	-
Less: Accumulated impairment losses	(8,461)	(8,461)	-	-
	<u>512,688</u>	<u>12,688</u>	<u>500,000</u>	<u>-</u>
 Market value of Malaysian quoted investment	 <u>513,468</u>	 <u>13,466</u>	 <u>500,762</u>	 <u>-</u>

16. Deferred taxation

	Group	
	2009 RM	2008 RM
At beginning of year	1,373,065	1,477,750
Recognised in income statement (Note 8)	328,000	(104,685)
At end of year	<u>1,701,065</u>	<u>1,373,065</u>
 Presented after appropriate offsetting as follows:		
Deferred tax assets	(2,804)	(2,804)
Deferred tax liabilities	1,703,869	1,375,869
	<u>1,701,065</u>	<u>1,373,065</u>

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16. Deferred taxation (contd.)

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 2007	1,618,740
Recognised in income statement	(170,785)
At 30 June 2008	<u>1,447,955</u>
Recognised in income statement	325,264
At 30 June 2009	<u><u>1,773,219</u></u>

Deferred tax assets of the Group:

	Tax losses RM	Provisions RM	Others RM	Total RM
At 1 July 2007	(23,994)	(116,996)	-	(140,990)
Recognised in income statement	<u>21,190</u>	<u>36,860</u>	<u>8,050</u>	<u>66,100</u>
At 30 June 2008	(2,804)	(80,136)	8,050	(74,890)
Recognised in income statement	<u>-</u>	<u>10,786</u>	<u>(8,050)</u>	<u>2,736</u>
At 30 June 2009	<u><u>(2,804)</u></u>	<u><u>(69,350)</u></u>	<u><u>-</u></u>	<u><u>(72,154)</u></u>

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

Group	2009 RM	2008 RM
Unutilised tax losses	1,201,101	407,573
Unabsorbed capital allowances	70,965	41,367
Others	<u>498,037</u>	<u>187,355</u>
	<u><u>1,770,103</u></u>	<u><u>636,295</u></u>
Deferred tax benefits at 25%	<u><u>442,526</u></u>	<u><u>159,074</u></u>

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 is 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.

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17. Inventories

	Group	
	2009	2008
	RM	RM
At cost:		
Raw materials and consumables	9,488,355	11,595,093
Finished goods	2,207,322	2,241,697
Inventories-in-transit	831,420	112,384
	<u>12,527,097</u>	<u>13,949,174</u>

18. Short term investments

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Quoted in Malaysia, at fair value	<u>10,380,773</u>	<u>9,156,908</u>	<u>7,374,598</u>	<u>9,156,908</u>

Short term investments relate to portfolio of fund investments placed with several investment banks. The fair value of the investment is determined by reference to price quotation in an active market.

19. Trade receivables

	Group	
	2009	2008
	RM	RM
Trade receivables	10,986,758	14,596,133
Less: Provision for doubtful debts	(665,947)	(245,954)
	<u>10,320,811</u>	<u>14,350,179</u>

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 365 days amounted to RM2,114,602 (2008: RM1,700,323). 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.

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20. Other receivables

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Deposits and prepayments	169,561	159,643	40,617	500
Sundry receivables	130,055	1,318	55	-
	<u>299,616</u>	<u>160,961</u>	<u>40,672</u>	<u>500</u>

Included in other receivables of the Group are deposits totalling RM40,800 (2008: RM40,800) placed with a company in which certain directors have interests.

21. 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.

22. Cash and bank balances

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash on hand and at banks	6,470,336	3,720,036	334,935	105,064
Deposit with licensed banks	3,040,256	-	-	-
	<u>9,510,592</u>	<u>3,720,036</u>	<u>334,935</u>	<u>105,064</u>

The average maturity of the deposits during the year was 7 days. The weighted average interest rates as at year end was 1.97% per annum.

23. Share capital, share premium and treasury shares

	Number of ordinary shares of RM0.50 each		Amount	
	2009	2008	2009 RM	2008 RM
Authorised:				
At beginning of year	200,000,000	200,000	100,000,000	100,000
Created during the year	-	199,800,000	-	99,900,000
At end of year	<u>200,000,000</u>	<u>200,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

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23. Share capital, share premium and treasury shares (contd.)

Company	Number of ordinary shares of RM0.50 each		Amount			
	Share capital (Issued and fully paid)	Treasury shares	Share capital (Issued and fully paid) RM	Share premium RM	Total share capital and share premium RM	Treasury Shares RM
At 1 July 2007	4	-	2	-	2	-
Issued during the year pursuant to:	(b)					
- acquisition of subsidiaries	41,409,538	-	20,704,769	-	20,704,769	-
- capitalisation of advances	9,840,000	-	4,920,000	-	4,920,000	-
- right issue	8,750,458	-	4,375,229	-	4,375,229	-
- public issue	20,000,000	-	10,000,000	3,600,000	13,600,000	-
Transaction costs	-	-	-	(1,915,808)	(1,915,808)	-
At 30 June 2008	80,000,000	-	40,000,000	1,684,192	41,684,192	-
Purchase of treasury shares	(c)					
Transaction costs	-	(5,000,000)	-	-	-	(1,832,759)
At 30 June 2009	80,000,000	(5,000,000)	40,000,000	1,684,192	41,684,192	(1,839,324)

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23. Share capital, share premium and treasury shares (Contd.)

(a) Authorised share capital

In previous 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.

(b) Issue of ordinary shares

In previous 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
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");
- (ii) Capitalisation of advances
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 of RM4,320,000 and BHS Book Printing Sdn Bhd of RM600,000;
- (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

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23. Share capital, share premium and treasury shares (Contd.)

(b) Issue of ordinary shares (contd.)

(iv) Initial public offering (contd.)

(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 quoted on the Second Board of Bursa Malaysia on 20 November 2007.

(c) Treasury shares

This amount relates to the acquisition cost of treasury shares.

The shareholders of the Company, by an ordinary resolution passed in the annual general meeting held on 23 December 2008, approved the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 5,000,000 of its issued ordinary shares from the open market at prices ranging from RM0.36 to RM0.38 per share. The total consideration paid for the repurchase was RM1,839,324, comprising of consideration paid amounting to RM1,832,759 and transaction costs of RM6,565. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 80,000,000 issued and fully paid ordinary shares as at 30 June 2009, 5,000,000 are held as treasury shares by the Company. As at 30 June 2009, the number of outstanding ordinary shares in issue after the setoff is therefore 75,000,000 ordinary shares of RM0.50 each.

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24. Other reserves

	Merger reserve RM	Foreign currency translation RM	Total RM
At 1 July 2007/30 June 2008	(16,832,846)	-	(16,832,846)
Effects of foreign currency translation	-	(83)	(83)
At 30 June 2009	<u>(16,832,846)</u>	<u>(83)</u>	<u>(16,832,929)</u>

(a) 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.

(b) Foreign currency translation

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in the functional currency of the reporting entity or foreign operation.

25. 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 of the Income Tax Act 1967 ("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 30 June 2009, the Company has tax exempt profits available for distribution of approximately RM3,610,000 subject to agreement with the Inland Revenue Board.

As at 30 June 2009, the Section 108 balance of the Company is nil. The Company may distribute dividends out of its retained earnings as at 30 June 2009 under single tier system.

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26. Borrowings

	Group	
	2009	2008
	RM	RM
Short term borrowings		
Secured:		
Hire purchase liabilities (Note 27)	61,871	39,545
Bank overdrafts	-	11,850
Trust receipts	-	705,419
Bankers' acceptances	-	1,150,000
	<u>61,871</u>	<u>1,906,814</u>
Unsecured:		
Trust receipts	-	1,158,464
Bankers' acceptances	-	343,000
	<u>-</u>	<u>1,501,464</u>
	<u>61,871</u>	<u>3,408,278</u>
Long term borrowings		
Secured:		
Hire purchase liabilities (Note 27)	<u>32,756</u>	<u>52,012</u>
Total borrowings		
Hire purchase liabilities (Note 27)	94,627	91,557
Bank overdrafts	-	11,850
Trust receipts	-	1,863,883
Bankers' acceptances	-	1,493,000
	<u>94,627</u>	<u>3,460,290</u>
Maturity of borrowings		
Within 1 year	61,871	3,408,278
More than 1 year and less than 2 years	30,979	41,397
More than 2 years and less than 5 years	1,777	10,615
	<u>94,627</u>	<u>3,460,290</u>

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26. Borrowings (contd.)

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		Fair value	
	Interest rate		2009 RM	2008 RM
	2009 %	2008 %		
Bank overdrafts	-	1.75	-	11,850
Trust receipts	-	7.63	-	1,863,883
Bankers' acceptances	-	4.85	-	1,493,000

27. Hire purchase payables

	Group	
	2009 RM	2008 RM
Future minimum lease payments		
Not later than 1 year	64,404	42,864
Later than 1 year and not later than 2 years	32,232	42,864
Later than 2 years and not later than 5 years	1,784	10,692
	<u>98,420</u>	<u>96,420</u>
Less: Future finance charges	(3,793)	(4,863)
Present value of finance leases	<u>94,627</u>	<u>91,557</u>
Analysis of present value of finance lease liabilities:		
Not later than 1 year	61,871	39,545
Later than 1 year and not later than 2 years	30,979	41,397
Later than 2 years and not later than 5 years	1,777	10,615
	<u>94,627</u>	<u>91,557</u>
Analysed as:		
Due within 12 months	61,871	39,545
Due after 12 months	32,756	52,012
	<u>94,627</u>	<u>91,557</u>

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27. Hire purchase payables (contd.)

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

Group	Maturity	Weighted average Interest rate		Fair value	
		2009 %	2008 %	2009 RM	2008 RM
Hire purchase liabilities	2010 to 2011	2.89	2.23	94,017	91,542

28. Trade payables

	Group	
	2009 RM	2008 RM
Trade payables	1,753,969	1,460,868
Writers' royalty fees	123,593	238,853
Writers' fees	-	1,500
	<u>1,877,562</u>	<u>1,701,221</u>

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.

29. Other payables

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Other payables	1,686,930	1,786,267	50,005	12,075
Accruals	419,480	125,110	48,333	37,379
	<u>2,106,410</u>	<u>1,911,377</u>	<u>98,338</u>	<u>49,454</u>

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30. Dividends

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2009, of 3 sen per ordinary share on 75,000,000 ordinary shares, amounting to a dividend payable of RM2,250,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2010.

31. Significant related party transactions

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

		Group	
		2009	2008
		RM	RM
Transactions with related parties *			
Rental paid to Rakan Bersatu Sdn Bhd	(i)	497,400	489,600
Sales to System Publishing House Pte. Ltd.	(ii)	(64,935)	(90,680)
		432,465	398,920
		Company	
		2009	2008
		RM	RM
Transactions with subsidiaries			
Management fees receivable from the following subsidiaries:			
BHS Book Printing Sdn Bhd	(iii)	1,074,922	311,001
Pustaka Sistem Pelajaran Sdn Bhd	(iii)	59,819	27,354
Star CTP Imaging Sdn Bhd	(iii)	69,978	36,271
Pustaka Yakin Pelajar Sdn Bhd	(iii)	4,277	-
Printing costs charged by BHS Book Printing Sdn Bhd	(iv)	15,250	132,974
		1,223,246	507,600

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

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31. 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. In the previous 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	
	2009	2008	2009	2008
	RM	RM	RM	RM
Salaries and other emoluments	586,295	459,820	378,000	135,900
Bonus	344,050	25,775	100,000	-
Defined contribution plans	106,572	53,868	60,240	18,948
Fees	214,600	176,000	214,600	116,000
Estimated money value of benefits-in-kind	21,657	4,875	6,600	-
	<u>1,273,174</u>	<u>720,338</u>	<u>759,440</u>	<u>270,848</u>

Included in the total key management personnel are:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Directors' remuneration (Note 6)	<u>845,257</u>	<u>340,139</u>	<u>602,840</u>	<u>198,848</u>

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32. Subsequent events

(i) Disposal of a parcel of leasehold land

On 22 July 2009, the Company announced that its wholly-owned subsidiary, BHS Book Printing Sdn. Bhd. had entered into a Sale and Purchase Agreement to dispose of a parcel of leasehold industrial land as detailed in Note 10.

The Company intends to utilise part of the proceeds arising from the disposal of land to acquire 3 lots of lands measuring approximately 21 acres, all situated in the Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor for a total consideration RM2,005,875.

(ii) Acquisition of properties

The Group, via its wholly owned subsidiary, BHS Resources Pte Ltd ("BHSR") had on 14 October 2009, entered into a sale and purchase agreement ("SPA") with a third party to acquire two factory units located at Republic of Singapore for a total cash consideration of SGD1.2 million (or RM2.94 million equivalent). The properties have a lease tenure of 30 years, commencing 1 March 2008.

33. 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.

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33. Financial instruments (Contd.)

(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 assets together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

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 2009			
Trade receivables	1,958,297	142,631	2,100,928
Cash and bank balances	1,263,857	86,921	1,350,778
	<u>3,222,154</u>	<u>229,552</u>	<u>3,451,706</u>
At 30 June 2008			
Trade receivables	880,534	51,716	932,250
Cash and bank balances	16,602	242,646	259,248
	<u>897,136</u>	<u>294,362</u>	<u>1,191,498</u>

(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 2009 are not materially different from their carrying values due to their short term nature.

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34. 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 constitutes a separately reportable segment.

The following table provides an analysis 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 2009					
Revenue					
External sales	50,406,047	3,105,230	-	-	53,511,277
Inter-segment sales	1,156,046	847,911	4,707,919	(6,711,876)	-
	<u>51,562,093</u>	<u>3,953,141</u>	<u>4,707,919</u>	<u>(6,711,876)</u>	<u>53,511,277</u>
Results					
Segment results	8,319,196	(1,163,547)	4,696,725	(2,854,613)	8,997,761
Finance costs					(220,042)
Taxation					(2,174,581)
Net profit for the year					<u>6,603,138</u>
Assets					
Segment assets	39,176,024	12,101,058	9,494,602		<u>60,771,684</u>
Liabilities					
Segment liabilities	5,587,186	217,404	645,500		<u>6,450,090</u>
Other information					
Depreciation	1,588,908	57,167	205,024		1,851,099
Amortisation	32,694	-	-		<u>32,694</u>
Other significant non-cash expenses					
Net provision for doubtful debts	207,584	212,409	-		419,993
Impairment loss on intangible	-	-	747,183		747,183
Provision for stock obsolescences	-	107,837	-		<u>107,837</u>

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34. Segment information (contd.)

(a) Business segments (contd.)

	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)	-
	<u>33,033,171</u>	<u>4,348,506</u>	<u>3,610,261</u>	<u>(5,672,520)</u>	<u>35,319,418</u>
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					<u>6,188,011</u>
Assets					
Segment assets	38,310,494	9,266,192	10,555,473		<u>58,132,159</u>
Liabilities					
Segment liabilities	7,646,112	367,815	560,369		<u>8,574,296</u>
Other information					
Depreciation	1,421,863	64,092	402,533		1,888,488
Amortisation	32,694	-	-		<u>32,694</u>
Other significant non-cash expenses					
Net provision for doubtful debts	(77,915)	(256,165)	-		(334,080)
Plant and equipment written off	-	-	36,962		<u>36,962</u>

(b) Geographical segments

The Group operates principally in Malaysia. On 2 April 2009, the Company acquired a new wholly owned subsidiary in Singapore, which has yet to commence operations. Accordingly, no geographical segment information is provided.

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35. Comparatives

The comparatives have been reclassified to conform with current year's presentations:

	As restated RM	Reclassifi- -cations RM	As previously stated RM
Group			
Balance sheet			
Short term investments	9,156,908	9,156,908	-
Cash and bank balances	3,720,036	(9,156,908)	12,876,944
	<hr/>	<hr/>	<hr/>
Company			
Balance sheet			
Short term investments	9,156,908	9,156,908	-
Cash and bank balances	105,064	(9,156,908)	9,261,972
	<hr/>	<hr/>	<hr/>