719660-W

BHS Industries Berhad
(Incorporated in Malaysia)

Contents	**Page**

BHS Industries Berhad
(Incorporated in Malaysia)

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 2010.

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 16 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	5,410,548	4,293,963

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

The amount of dividends paid by the Company since 30 June 2009 were as follows:

	RM
In respect of the financial year ended 30 June 2009 as reported in the directors' report of that year:	
Tax exempt final dividend of 6% on 72,100,000 ordinary shares of RM0.50 each, declared on 21 December 2009 and paid on 15 January 2010	2,163,000

BHS Industries Berhad
(Incorporated in Malaysia)

Dividend (contd.)

At the forthcoming Annual General Meeting, a tax exempt final dividend in respect of the financial year ended 30 June 2010, of 6% on 72,100,000 ordinary shares of RM0.50 each, amounting to a dividend payable of RM2,163,000 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 2011.

Directors

The names of 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

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 or the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 33 to the financial statements.

BHS Industries Berhad
(Incorporated in Malaysia)

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:

	← Number of ordinary shares of RM0.50 each →			
The Company	**1 July 2009**	**Acquired**	**Sold**	**30 June 2010**
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	99,700	-	-	99,700

	← Number of ordinary shares of RM0.50 each →			
The Company	**1 July 2009**	**Acquired**	**Sold**	**30 June 2010**
Indirect interest:				
Heng Song Khoon #	31,949,543	250,000	-	32,199,543
Liew Sai Ying #	31,949,543	250,000	-	32,199,543
Chew Yuit Yoo **	72,100	-	(5,200)	66,900
Thiang Chew Lan **	50,300	-	-	50,300
Heng Boon Seng **	-	500,000	-	500,000

Deemed interested by virtue of his/her interest in Harta Sistem Sdn. Bhd. and pursuant to Section 134(12)(c) of the Companies Act, 1965.

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

Heng Song Khoon and Liew Sai Ying by virtue of their interest in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

BHS Industries Berhad
(Incorporated in Malaysia)

Treasury shares

During the financial year, the Company repurchased 2,900,000 of its issued ordinary shares from the open market at prices ranging from RM0.79 to RM0.83 per share. The total consideration paid for the repurchase including transaction costs was RM2,384,598. 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 25 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

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

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

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

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

BHS Industries Berhad
(Incorporated in Malaysia)

Other statutory information (contd.)

(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.

Significant events during the financial year

Details of significant events during the financial year are disclosed in Note 36 to the financial statements.

BHS Industries Berhad
(Incorporated in Malaysia)

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 26 October 2010.

Heng Song Khoon | Liew Sai Ying

BHS Industries Berhad
(Incorporated in Malaysia)

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 11 to 74 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 2010 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 26 October 2010.

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 11 to 74 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 26 October 2010.

Koo Thiam Yen

Before me,

R. Vasugi Ammal, PJK
Commissioner for oaths
License no: W 480

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 2010, 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 11 to 74.

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.

719660-W

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2010 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 16 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.

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

Yap Seng Chong
No. 2190/12/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
26 October 2010

BHS Industries Berhad
(Incorporated in Malaysia)

Income statements
For the year ended 30 June 2010

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	3	48,862,351	53,511,277	962,845	1,208,996
Cost of sales		(38,512,935)	(40,661,041)	-	-
Gross profit		10,349,416	12,850,236	962,845	1,208,996
Other income	4	2,601,294	1,845,264	4,800,690	3,939,418
Operating expenses		(5,821,572)	(5,697,739)	(1,452,572)	(981,151)
Operating profit	5	7,129,138	8,997,761	4,310,963	4,167,263
Finance costs	7	(32,001)	(220,042)	-	-
Profit before taxation		7,097,137	8,777,719	4,310,963	4,167,263
Income tax expense	8	(1,686,589)	(2,174,581)	(17,000)	(87,399)
Profit for the year		5,410,548	6,603,138	4,293,963	4,079,864
Earnings per share attributable to equity holders of the Company (sen)	9	7.38	8.41		
Net dividend per share (sen)	10			3.00	-

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

BHS Industries Berhad
(Incorporated in Malaysia)

Balance sheets
As at 30 June 2010

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	**RM**	**RM**	**RM**	**RM**
Assets					
Non-current assets					
Plant and equipment	12	13,730,214	13,426,669	84,307	110,248
Investment properties	13	6,939,618	-	4,447,589	-
Prepaid land lease payments	14	-	-	-	-
Intangible assets	15	-	-	-	-
Investment in subsidiaries	16	-	-	40,959,659	38,507,565
Other investments	17	3,425,929	512,688	3,413,241	500,000
Deferred tax assets	18	32,235	2,804	-	-
		24,127,996	13,942,161	48,904,796	39,117,813
Current assets					
Inventories	19	13,848,092	12,527,097	-	-
Short term investments	20	7,562,260	10,380,773	7,562,260	7,374,598
Trade receivables	21	9,106,041	10,320,811	-	-
Other receivables	22	400,655	299,616	75,350	40,672
Amounts due from subsidiaries	23	-	-	1,480	3,675,649
Tax recoverable		1,101,251	864,536	134,817	34,066
Cash and bank balances	24	6,668,211	9,510,592	682,036	334,935
		38,686,510	43,903,425	8,455,943	11,459,920
Asset classified as held for sale	11	-	2,926,098	-	-
		38,686,510	46,829,523	8,455,943	11,459,920
Total assets		62,814,506	60,771,684	57,360,739	50,577,733

BHS Industries Berhad
(Incorporated in Malaysia)

Balance sheets
As at 30 June 2010 (contd.)

		Group		Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
Equity and liabilities					
Equity attributable to equity holders of Company:					
Share capital	25	40,000,000	40,000,000	40,000,000	40,000,000
Share premium	25	1,684,192	1,684,192	1,684,192	1,684,192
Treasury shares	25	(4,223,922)	(1,839,324)	(4,223,922)	(1,839,324)
Other reserves	26	(16,959,739)	(16,832,929)	-	-
Retained earnings	27	34,557,203	31,309,655	6,366,743	4,235,780
Total equity		55,057,734	54,321,594	43,827,013	44,080,648
Non-current liabilities					
Borrowings	28	895,983	32,756	-	-
Deferred tax liabilities	18	1,909,517	1,703,869	-	-
		2,805,500	1,736,625	-	-
Current liabilities					
Trade payables	30	2,299,976	1,877,562	-	-
Other payables	31	2,275,972	2,106,410	115,432	98,338
Amount due to subsidiaries	23	-	-	13,418,294	6,398,747
Borrowings	28	191,023	61,871	-	-
Tax payable		184,301	667,622	-	-
		4,951,272	4,713,465	13,533,726	6,497,085
Total liabilities		7,756,772	6,450,090	13,533,726	6,497,085
Total equity and liabilities		62,814,506	60,771,684	57,360,739	50,577,733

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

BHS Industries Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the year ended 30 June 2010

		Non-distributable			Distributable		
Group	**Note**	**Share capital RM**	**Share premium RM**	**Other reserve RM**	**Treasury shares RM**	**Retained earnings RM**	**Total equity RM**
At 1 July 2008		40,000,000	1,684,192	(16,832,846)	-	24,706,517	49,557,863
Purchase of treasury shares	25	-	-	-	(1,839,324)	-	(1,839,324)
Foreign currency translation	26	-	-	(83)	-	-	(83)
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
Purchase of treasury shares	25	-	-	-	(2,384,598)	-	(2,384,598)
Foreign currency translation	26	-	-	(126,810)	-	-	(126,810)
Profit for the year		-	-	-	-	5,410,548	5,410,548
Dividends	10	-	-	-	-	(2,163,000)	(2,163,000)
At 30 June 2010		40,000,000	1,684,192	(16,959,739)	(4,223,922)	34,557,203	55,057,734

BHS Industries Berhad
(Incorporated in Malaysia)

Company statement of changes in equity
For the year ended 30 June 2010

		Non-distributable		← Distributable →		
		Share capital	**Share premium**	**Treasury shares**	**Retained earnings**	**Total equity**
Company	**Note**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 July 2008		40,000,000	1,684,192	-	155,916	41,840,108
Purchase of treasury shares	25	-	-	(1,839,324)	-	(1,839,324)
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
Purchase of treasury shares	25	-	-	(2,384,598)	-	(2,384,598)
Profit for the year		-	-	-	4,293,963	4,293,963
Dividends	10	-	-	-	(2,163,000)	(2,163,000)
At 30 June 2010		40,000,000	1,684,192	(4,223,922)	6,366,743	43,827,013

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

719660-W

BHS Industries Berhad
(Incorporated in Malaysia)

Cash flow statements
For the year ended 30 June 2010

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Cash flows from operating activities				
Profit before taxation	7,097,137	8,777,719	4,310,963	4,167,263
Adjustments for:				
Depreciation of plant and equipment	1,635,229	1,851,099	25,941	19,456
Amortisation of prepaid land lease payments	-	32,694	-	-
Interest expense	32,001	220,042	-	-
Interest income	(95,495)	(61,692)	(8,211)	(339)
Plant and equipment written off	24	-	-	-
(Reversal of)/provision for stock obsolescence	(59,675)	107,837	-	-
Impairment of intangible assets	-	747,183	-	-
Impairment of other investments	368,883	-	368,883	-
Provision for doubtful debts	951,561	596,428	-	-
Bad debts written off	424,035	-	-	-
Loss/(gain) on disposal of plant and equipment	8,500	(702,086)	-	-
Gain on disposal of prepaid land lease	(1,205,898)	-	-	-
Gain on disposal of other investments	(185,620)	(59,389)	(185,620)	(59,389)
Unrealised gain from short term investments	(187,662)	(217,690)	(187,662)	(217,690)
Bad debts recovered	(26,968)	-	-	-
Writeback of provision for doubtful debts of trade receivables	(527,363)	(176,435)	-	-
Unrealised foreign exchange loss	146,448	-	-	-
Operating profit before working capital changes carried forward	8,375,137	11,115,710	4,324,294	3,909,301

BHS Industries Berhad
(Incorporated in Malaysia)

Cash flow statements
For the year ended 30 June 2010 (contd.)

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Cash flows from operating activities (contd.)				
Operating profit before working capital changes brought forward	8,375,137	11,115,710	4,324,294	3,909,301
Changes in working capital:				
Inventories	(1,261,320)	1,314,240	-	-
Receivables	146,018	3,470,720	(34,678)	(40,172)
Payables	591,976	371,374	17,094	48,884
Subsidiaries	-	-	10,693,716	(3,161,722)
Cash generated from operations	7,851,811	16,272,044	15,000,426	756,291
Taxes paid	(2,230,408)	(1,428,192)	(117,751)	(117,115)
Interest paid	(32,001)	(220,042)	-	-
Interest received	95,495	61,692	8,211	339
Net cash generated from operating activities	5,684,897	14,685,502	14,890,886	639,515
Cash flows from investing activities				
Purchase of:				
- Plant and equipment	(1,967,298)	(2,885,440)	-	(129,704)
- Investments	(3,782,124)	(3,506,175)	(3,096,504)	(500,000)
- Investment properties	(6,939,618)	-	(4,447,589)	-
Investment in a subsidiary	-	-	(2,452,094)	(5)
Net proceeds from disposal of investments	3,691,795	2,059,389	-	2,059,389
Proceeds from disposal of plant and equipment	20,000	702,350	-	-
Proceeds from disposal of prepaid land lease payments	4,131,996	-	-	-
Net cash (used in)/generated from investing activities	(4,845,249)	(3,629,876)	(9,996,187)	1,429,680

BHS Industries Berhad
(Incorporated in Malaysia)

Cash flow statements
For the year ended 30 June 2010 (contd.)

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Cash flows from financing activities				
Purchase of treasury shares	(2,384,598)	(1,839,324)	(2,384,598)	(1,839,324)
Dividend paid	(2,163,000)	-	(2,163,000)	-
Net (repayment)/drawdown of other borrowings	1,053,697	(3,356,883)	-	-
Repayment of hire purchase obligations	(61,318)	(56,930)	-	-
Net cash used in financing activities	(3,555,219)	(5,253,137)	(4,547,598)	(1,839,324)
Net (decrease)/increase in cash and cash equivalents	(2,715,571)	5,802,489	347,101	229,871
Effects of foreign exchange rate changes	(126,810)	(83)	-	-
Cash and cash equivalents at beginning of year	9,510,592	3,708,186	334,935	105,064
Cash and cash equivalents at end of year	6,668,211	9,510,592	682,036	334,935

Cash and cash equivalents comprise the following:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	6,668,211	9,510,592	682,036	334,935

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

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 16. 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 26 October 2010.

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, except for investment properties that have been measured at their fair values.

The financial statements 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.

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 statues do not prohibit the use of such reserves. The results and financial positions of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

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.

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.

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.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(c) Plant and equipment and depreciation

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

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

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

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

Factory equipment, plant and 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.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(d) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(e) Impairment of non-financial assets

The carrying amounts of assets other than investment properties, 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.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(e) 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.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is other than goodwill recognised in profit or loss.

(f) 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.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(g) 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.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(g) 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.

(h) 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 (Note 2.2(d)); and

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

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(h) 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.

(iv) Operating leases - the Group as lessor
Leases where the Group retains substantially all the risks and rewards of ownership of the asset and classified as operating leases. Initial direct costs incurred in negotiating an operating lease and added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.2(n)(iv).

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) 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.

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.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(k) 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.

(l) Employee benefits

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

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

(m) 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.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(m) Foreign currencies (contd.)

(ii) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(m) Foreign currencies (contd.)

(ii) Foreign currency transactions (contd.)

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

	2010 RM	2009 RM
United States Dollars	3.26	3.52
Euro Dollars	3.98	4.97
Singapore Dollars	2.32	2.43

(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 rate for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to foreign currency translation reserve within equity.

(n) 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.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

(n) Revenue recognition (contd.)

(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.

(iv) Rental income
Rental income from investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

(o) Non-current assets held for sale

Non-current 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.

(p) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by their respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

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 and Interpretations, and amendments to certain Standards and Interpretations were issued but not yet effective and have not been applied by the Group and the Company, which are:

Effective for financial periods beginning on or after 1 January 2010:

FRS 7: Financial Instruments: Disclosures
FRS 101: Presentation of Financial Statements (revised)
FRS 123: Borrowing Costs
FRS 139: Financial Instruments: Recognition and Measurement
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2: Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 132: Financial Instruments: Presentation
Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
Amendments to FRS's 2009: Improvement to FRSs (2009)'
IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 10: Interim Financial Reporting and Impairment
IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Effective for financial periods beginning on or after 1 March 2010:

Amendments to FRS 132: Financial Instruments: Classification of Rights Issues

Effective for financial periods beginning on or after 1 July 2010:

FRS 1: First-time Adoption of Financial Reporting Standards
FRS 3: Business Combinations (revised)
FRS 127: Consolidated and Separate Financial Statements (amended)
Amendments to FRS 2: Share-based Payment
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138: Intangible Assets
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives

2. Significant accounting policies (contd.)

2.3 Standards and intepretations issued by not yet effective (contd.)

Effective for financial periods beginning on or after 1 July 2010 (contd.):

IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011:

Amendment to FRS 1: Limited Exemption from Comparative FRS 7: Disclosures for First-time Adopters
Amendments to FRS 7: Improving Disclosures about Financial Instruments

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and of the Company upon their initial application.

<u>FRS 3: Business Combinations (revised) and FRS 127: Consolidated and Separate Financial Statements (amended)</u>

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

2. Significant accounting policies (contd.)

2.3 Standards and intepretations issued by not yet effective (contd.)

FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

FRS 123: Borrowing Costs

This Standard supersedes FRS 123_{2004}: *Borrowing Costs* that removes the option of expensing borrowing costs and requires capitalisation of such costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognised as an expense. The Group's current accounting policy is consistent with the revised FRS123.

FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures

The new Standard on FRS 139: *Financial Instruments: Recognition and Measurement* establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

2. Significant accounting policies (contd.)

2.3 Standards and intepretations issued by not yet effective (contd.)

FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures (contd.)

FRS 7: *Financial Instruments: Disclosures* is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and Company's exposure to risks, enhanced disclosure regarding components of the Group's and Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

Amendments to FRSs 'Improvements to FRSs (2009)'

- FRS 140 Investment Property: Property under construction or development for future use as an investment property is classified as investment property. Where the fair value model is applied, such property is measured at fair value. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. The amendment also includes changes in terminology in the Standard to be consistent with FRS 108. The change will be applied prospectively.

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 21.

(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.

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 is no less than the carrying value of the plant and machinery.

(iv) Impairment of investment in subsidiaries and other investments

At balance sheet date, management determines whether the carrying amounts of its investment in subsidiaries and other investments are impaired. This involves assessing net assets of the subsidiaries as at year end and measuring the recoverable amounts which include 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.

3. Revenue

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Management fees	-	-	962,845	1,208,996
Sales of books	1,014,435	3,105,230	-	-
Printing and binding services	47,847,916	50,406,047	-	-
	48,862,351	53,511,277	962,845	1,208,996

4. Other income

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Gain on disposal of plant and equipment	-	702,086	-	-
Gain on disposal of prepaid land lease (Note 11)	1,205,898	-	-	-
Writeback of provision for doubtful debts of trade receivables	527,363	176,435	-	-
Bad debts recovered	26,968	-	-	-
Sale of scrapped paper	250,000	180,000	-	-
Unrealised gain from short term investments	187,662	217,690	187,662	217,690
Interest income	95,495	61,692	8,211	339
Dividend income	2,480	52,875	4,401,605	3,662,000
Realised gain on foreign exchange	-	395,060	-	-
Gain on disposal of other investments	185,620	59,389	185,620	59,389
Rental income from investment properties	17,592	-	17,592	-
Others	102,216	37	-	-
	2,601,294	1,845,264	4,800,690	3,939,418

BHS Industries Berhad
(Incorporated in Malaysia)

5. Operating profit

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration				
- current year	66,000	66,000	29,000	29,000
- under/(over) provision in prior year	1,678	(6,000)	-	-
Directors' remunerations (Note 6)	895,160	835,600	667,800	608,240
Depreciation of plant and equipment (Note 12)	1,635,229	1,851,099	25,941	19,456
Amortisation of prepaid land lease payment (Note 14)	-	32,694	-	-
Impairment of intangible assets (Note 15)	-	747,183	-	-
Impairment of other investments (Note 17)	368,883	-	368,883	-
Loss on disposal of plant and equipment	8,500	-	-	-
Plant and equipment written off	24	-	-	-
(Reversal of)/provision for inventories obsolescence	(59,675)	107,837	-	-
Provision for doubtful debts	951,561	596,428	-	-
Bad debts written off	424,035	-	-	-
Foreign exchange losses				
- unrealised	146,448	-	-	-
- realised	117,486	-	-	-
Rent of premises	687,000	586,105	-	-
Rent of equipment	6,000	6,000		-
Staff costs				
- wages and salaries	2,857,696	3,067,616	-	-
- social security costs	26,177	30,449	-	-
- defined contribution plans	169,111	183,863	-	-
- other staff related expenses	275,533	129,557	-	-

6. Director's remuneration

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Directors of the Company and subsidiaries				
Executive:				
- salaries and other emoluments	719,000	681,000	516,000	478,000
- defined contribution plans	86,280	81,720	61,920	57,360
	805,280	762,720	577,920	535,360
Non-Executive:				
- fees and other emoluments	87,000	70,000	87,000	70,000
- defined contribution plans	2,880	2,880	2,880	2,880
	89,880	72,880	89,880	72,880
Total directors' remuneration	895,160	835,600	667,800	608,240
Estimated money value of benefits-in-kind	29,550	21,657	9,900	6,600
Total directors' remuneration including benefits-in-kind	924,710	857,257	677,700	614,840

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

	2010		2009	
	Executive	Non-Executive	Executive	Non-Executive
Below RM50,000	-	3	-	3
RM150,001 - RM200,000	1	-	2	-
EM200,001 - RM300,000	1	-	-	-
RM300,001 - RM400,000	1	-	1	-

7. Finance costs

	Group 2010 RM	Group 2009 RM
Interest expenses on:		
- bank overdrafts	3,246	8,437
- trust receipts	2,802	175,919
- foreign exchange contract	4,294	-
- bankers' acceptances	-	5,488
- hire purchase payables	3,086	5,678
- others	18,573	24,520
	32,001	220,042

8. Income tax expense

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Income tax:				
- Malaysian income tax	1,543,106	1,856,000	18,252	107,000
- Overprovision in prior years	(32,734)	(9,419)	(1,252)	(19,601)
	1,510,372	1,846,581	17,000	87,399
Deferred tax (Note 18):				
- Relating to origination and reversal of temporary differences	196,454	241,312	-	-
- Relating to changes in tax rate	-	(55)	-	-
- (Over)/underprovision in prior years	(20,237)	86,743	-	-
	176,217	328,000	-	-
Tax expense for the year	1,686,589	2,174,581	17,000	87,399

8. Income tax expense (contd.)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

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

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:

	2010 RM	2009 RM
Group		
Profit before taxation	7,097,137	8,777,719
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	1,774,284	2,194,430
Effect of different tax rates in other jurisdictions	2,001	414
Income not subject to tax	(395,817)	(59,217)
Expenses not deductible for tax purposes	203,899	50,013
Deferred tax assets not recognised during the year	447,524	283,452
Utilisation of current year's reinvestment allowance	(292,331)	(371,835)
Overprovision of income tax in prior years	(32,734)	(9,419)
(Over)/underprovision of deferred tax in prior years	(20,237)	86,743
Tax expense for the year	1,686,589	2,174,581
Company		
Profit before taxation	4,310,963	4,167,263
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	1,077,741	1,041,816
Income not subject to tax	(1,181,450)	(960,173)
Expenses not deductible for tax purposes	121,961	25,357
Overprovision in prior year	(1,252)	(19,601)
Tax expense for the year	17,000	87,399

Tax savings during the financial year arising from:

	Group	
	2010 RM	2009 RM
Utilisation of current year tax losses	5,940	8,232

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, excluding treasury shares held by the Company.

	Group	
	2010	2009
	RM	RM
Earnings		
Profit for the year	5,410,548	6,603,138
Number of shares	**No.**	**No.**
Weighted average number of ordinary shares in issue	73,340,028	78,517,895
Basic earnings per share (sen)	7.38	8.41

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

There has been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

10. Dividends

	Dividends in respect of year		Dividends recognised in year	
	2010	2009	2010	2009
	RM	RM	RM	RM
Recognised during the year:				
- Tax exempt final dividend for 2009: 6% on 72,100,000 ordinary shares of RM0.50 each (3.00 sen per ordinary share)	-	2,163,000	2,163,000	-
Proposed for approval at AGM (not recognised as at 30 June 2010):				
- Tax exempt final dividend for 2010: 6% on 72,100,000 ordinary shares of RM0.50 each (3.00 sen per ordinary share)	2,163,000	-	-	-

10. Dividends (contd.)

At the forthcoming Annual General Meeting, a tax exempt final dividend in respect of the financial year ended 30 June 2010, of 6% per ordinary share on 72,100,000 ordinary shares of RM0.50 each, amounting to a dividend payable of RM2,163,000 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 2011.

11. 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	2,926,098

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 of the said land for a cash consideration of RM4,213,778. The SPA was completed during the financial year.

BHS Industries Berhad
(Incorporated in Malaysia)

12. Plant and equipment

	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							
Cost/deemed cost							
At 1 July 2009	178,000	24,429,287	100,944	907,648	781,020	884,284	27,281,183
Additions	-	1,963,476	-	860	2,962	-	1,967,298
Disposals	-	(95,000)	-	-	-	-	(95,000)
Written off	-	-	-	(200,145)	-	-	(200,145)
At 30 June 2010	178,000	26,297,763	100,944	708,363	783,982	884,284	28,953,336
Accumulated depreciation							
At 1 July 2009	178,000	11,599,589	93,629	834,831	694,175	454,290	13,854,514
Charge for the year	-	1,456,367	1,463	19,460	50,228	107,711	1,635,229
Disposals	-	(66,500)	-	-	-	-	(66,500)
Written off	-	-	-	(200,121)	-	-	(200,121)
At 30 June 2010	178,000	12,989,456	95,092	654,170	744,403	562,001	15,223,122
Net book value							
At 30 June 2010	-	13,308,307	5,852	54,193	39,579	322,283	13,730,214

BHS Industries Berhad
(Incorporated in Malaysia)

12. 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 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	178,000	24,429,287	100,944	907,648	781,020	884,284	27,281,183
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	178,000	11,599,589	93,629	834,831	694,175	454,290	13,854,514
Net book value							
At 30 June 2009	-	12,829,698	7,315	72,817	86,845	429,994	13,426,669

12. Plant and equipment (contd.)

	Motor vehicle RM
Company	
Cost	
At 1 July 2009/ 30 June 2010	129,704
Accumulated depreciation	
At 1 July 2009	19,456
Charge for the year	25,941
At 30 June 2010	45,397
Net book value	
At 30 June 2010	84,307
Cost	
At 1 July 2008	-
Additions	129,704
At 30 June 2009	129,704
Accumulated depreciation	
At 1 July 2008	-
Charge for the year	19,456
At 30 June 2009	19,456
Net book value	
At 30 June 2009	110,248

(a) Included in the plant and equipment of the Group are motor vehicles with net carrying amount of RM132,583 (2009:RM186,827) held under hire purchase arrangements.

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash	1,967,298	2,885,440	-	129,704
Hire purchase arrangement	-	60,000	-	-
	1,967,298	2,945,440	-	129,704

13. Investment properties

	Freehold[1] land RM	Commercial[2] properties RM	Total RM
Group			
At 1 July 2009	-	-	-
Additions	4,447,589	2,577,698	7,025,287
Exchange differences	-	(85,669)	(85,669)
At 30 June 2010	4,447,589	2,492,029	6,939,618

	Freehold[1] land RM
Company	
At 1 July 2009	-
Additions	4,447,589
Exchange differences	-
At 30 June 2010	4,447,589

The following investment properties are held under lease terms:

	Group 2010 RM	Group 2009 RM
Commercial properties	2,492,029	-

(a) Acquisition of land

On 18 July 2009, the Company had entered into Sale and Purchase Agreements ("SPAs") with external individuals to acquire three adjoining parcels of agricultural freehold land located at Mukim of Kota Tinggi, Johor for a total purchase price of approximately RM2,005,875.

On 28 December 2009, the Company also entered into SPAs with related parties namely Harta Sistem Sdn. Bhd. ("HSSB") and System Industrial Development Sdn. Bhd. ("SIDSB") to acquire additional four parcels of agricultural freehold land at Mukim of Kota Tinggi, Johor for a total purchase price of approximately RM2,293,440. Both HSSB and SIDSB are related to the Group as Heng Song Khoon and Liew Sai Ying who are major shareholders and directors of the Company, jointly own 100% shares in HSSB and SIDSB.

13. Investment properties (contd.)

(a) Acquisition of land (contd.)

The three adjoining parcels of agricultural freehold land are leased to third parties as disclosed in Note 32.

(b) Acquisition of two units of commercial properties

On 14 October 2009, the Group via its wholly owned subsidiary, BHS Resources Pte. Ltd. ("BHSR") acquired two units of commercial properties located in Singapore, from an external property developer for a total consideration of SGD1,060,000 (RM2,548,346). The commercial properties have a 30-year lease tenure commencing on 1 March 2008.

The properties were completed and the certificate of vacant possession has been issued to BHSR in May 2010.

Included in the additions are interest expense of SGD2,024 (RM4,866) and transaction cost of SGD10,185 (RM24,486) during the financial year for acquiring the two units of commercial porperties.

The said properties with an aggregate carrying value of SGD1,072,209 (RM2,492,029) as at year end are pledged as securities for borrowings as disclosed in Note 28.

[1] Investment properties are stated at fair value, which has been determined based on valuations at the balance sheet date. Valuations are performed by accredited independent valuers and are based on comparison method that makes reference to similar properties that were either transacted recently or listed for sale within the same location or other comparable localities.

[2] Development of commercial properties was completed during the year and the Company has obtained a certificate of vacant possession in May 2010. As the properties were completed near the balance sheet date, the management believes that the fair values of the properties are not materially different from their carrying values.

14. Prepaid land lease payments

	Group 2010 RM	2009 RM
Cost		
At beginning of year	-	3,105,914
Reclassified as held for sale (Note 11)	-	(3,105,914)
At end of year	-	-
Accumulated amortisation		
At beginning of year	-	147,122
Amortisation	-	32,694
Reclassified as held for sale (Note 11)	-	(179,816)
At end of year	-	-
Net carrying amount of long term leasehold land	-	-

15. Intangible assets

	Group 2010 RM	2009 RM
Development costs		
At beginning of year	747,183	747,183
Write-off against accumulated impairment loss	(747,183)	-
At end of year	-	747,183
Accumulated impairment loss		
At beginning of year	747,183	-
Write-off of development cost	(747,183)	-
Impairment loss recognised in profit or loss (Note 5)	-	747,183
At end of year	-	747,183
Net carrying amount	-	-

Development costs relate to expenditure incurred for developing educational products.

In 2009, a full impairment of RM747,183 had been recognised due to poor market response towards the product developed when it was rolled out.

16. Investment in subsidiaries

	Company 2010 RM	Company 2009 RM
Unquoted shares, at cost	40,959,659	38,507,565

Details of the subsidiaries are as follows:

Company	Place of incorporation	Equity interest held (%) 2010	Equity interest held (%) 2009	Principal activities
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	100	Property investment
Subsidiaries of Pustaka Sistem Pelajaran Sdn. Bhd.				
Pustaka Yakin Pelajar Sdn. Bhd.	Malaysia	100	100	Dormant
System Multimedia and Internet Sdn. Bhd.	Malaysia	100	100	Book publisher using information and technology
System Publishing House Sdn. Bhd.	Malaysia	100	100	Dormant

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

16. Investment in subsidiaries (contd.)

(a) Subscription for additional ordinary shares

During the financial year, the Company further fully subscribed for additional 999,998 new ordinary shares of SGD1 each in BHS Resources Pte. Ltd. ("BHSR") for a total cash consideration of SGD999,998 (equivalent to RM2,452,094).

17. Other investments

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
At cost:				
Malaysian quoted investments	3,803,273	521,149	3,782,124	500,000
Accumulated impairment loss				
At beginning of year	8,461	8,461	-	-
Impairment loss recognised profit or loss (Note 5)	368,883	-	368,883	-
At end of year	377,344	8,461	368,883	-
Net carrying amount	3,425,929	512,688	3,413,241	500,000
Market value of Malaysian quoted investment	3,428,333	513,468	3,413,074	500,762

18. Deferred taxation

	Group 2010 RM	Group 2009 RM
At beginning of year	1,701,065	1,373,065
Recognised in income statement (Note 8)	176,217	328,000
At end of year	1,877,282	1,701,065
Presented after appropriate offsetting as follows:		
Deferred tax assets	(32,235)	(2,804)
Deferred tax liabilities	1,909,517	1,703,869
	1,877,282	1,701,065

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 2008	1,447,955
Recognised in income statement	325,264
At 30 June 2009	1,773,219
Recognised in income statement	305,533
At 30 June 2010	2,078,752

Deferred tax assets of the Group:

	Tax losses RM	Provisions RM	Others RM	Total RM
A1 1 July 2008	(2,804)	(80,136)	8,050	(74,890)
Recognised in income statement	-	10,786	(8,050)	2,736
At 30 June 2009	(2,804)	(69,350)	-	(72,154)
Recognised in income statement	(38)	(99,847)	(29,431)	(129,316)
At 30 June 2010	(2,842)	(169,197)	(29,431)	(201,470)

18. Deferred taxation (contd.)

Deferred tax assets that have not been recognised in the financial statements in respect of the following items:

	Group 2010 RM	Group 2009 RM
Unutilised tax losses	2,320,952	455,294
Unabsorbed capital allowances	106,286	83,468
Others	341,509	439,888
	2,768,747	978,650
Net deferred tax benefits at 25% (2009: 25%)	692,187	244,663

The availability of the unutilised tax losses and unabsorbed capital allowances for off-setting against future taxable profits of the respective subsidiaries of the Group are subject to no substantial changes in the shareholdings of these subsidiaries under Section 44(5A) and (5B) of the Income Tax Act, 1967 and guidelines issued by 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 as it is not probable that future taxable profits will be available against which the subsidiaries can utilise the benefits.

19. Inventories

	Group 2010 RM	Group 2009 RM
At cost:		
Raw materials and consumables	12,753,196	9,488,355
Finished goods	1,059,521	2,207,322
Inventories-in-transit	35,375	831,420
	13,848,092	12,527,097

During the financial year, there was a reversal of provision for inventories obsolescence of RM59,675 (2009: Nil) as disclosed in Note 5.

20. Short term investments

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Quoted in Malaysia, at fair value	7,562,260	10,380,773	7,562,260	7,374,598

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.

21. Trade receivables

	Group	
	2010	2009
	RM	RM
Trade receivables	10,196,186	10,986,758
Less: Provision for doubtful debts	(1,090,145)	(665,947)
	9,106,041	10,320,811

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 RM1,592,314 (2009: RM2,114,602). 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.

22. Other receivables

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Deposits and prepayments	155,806	169,561	500	40,617
Sundry receivables	244,849	130,055	74,850	55
	400,655	299,616	75,350	40,672

Included in other receivables of the Group are the following:

(i) rental deposits totalling RM48,960 (2009: RM40,800) placed with an entity in which certain directors of the Company have financial interests; and

(ii) staff advance of RM170,000 (2009: RM130,000), which is interest free.

23. 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.

24. Cash and bank balances

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash on hand and at banks	6,668,211	6,470,336	682,036	334,935
Deposit with licensed banks	-	3,040,256	-	-
	6,668,211	9,510,592	682,036	334,935

The average maturity of the deposits for previous financial year was 7 days. The weighted average interest rate as at previous year end was 1.97% per annum.

25. Share capital, share premium and treasury shares

	Number of ordinary shares of RM0.50 each		Amount	
	2010	2009	2010 RM	2009 RM
Group/Company				
Authorised:				
At beginning/end of year	200,000,000	200,000,000	100,000,000	100,000,000

BHS Industries Berhad
(Incorporated in Malaysia)

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

		Number of ordinary shares of RM0.50 each		← Amount →			
	Note	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
Group/Company							
At 1 July 2008		80,000,000	-	40,000,000	1,684,192	41,684,192	-
Purchase of own shares	25(b)	-	(5,000,000)	-	-	-	(1,832,759)
Transaction costs		-	-	-	-	-	(6,565)
At 30 June 2009		80,000,000	(5,000,000)	40,000,000	1,684,192	41,684,192	(1,839,324)
Purchase of own shares	25(b)	-	(2,900,000)	-	-	-	(2,372,858)
Transaction costs		-	-	-	-	-	(11,740)
At 30 June 2010		80,000,000	(7,900,000)	40,000,000	1,684,192	41,684,192	(4,223,922)

(a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

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

(b) 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 (2009: 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 2,900,000 (2009: 5,000,000) of its issued ordinary shares from the open market at prices ranging from RM0.79 to RM0.83 (2009: RM0.36 to RM0.38) per share. The total consideration paid for the repurchase was RM2,384,598 (2009: RM1,839,324), comprising of consideration paid amounting to RM2,372,858 (2009: RM1,832,759) and transaction costs of RM11,740 (2009: 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 2010, 7,900,000 (2009: 5,000,000) are held as treasury shares by the Company. As at 30 June 2010, the number of outstanding ordinary shares in issue after the setoff is therefore 72,100,000 (2009: 75,000,000) ordinary shares of RM0.50 each.

26. Other reserves

	Merger reserve RM	Foreign currency translation RM	Total RM
At 1 July 2008	(16,832,846)	-	(16,832,846)
Effects of foreign currency translation	-	(83)	(83)
At 30 June 2009	(16,832,846)	(83)	(16,832,929)
Effects of foreign currency translation	-	(126,810)	(126,810)
At 30 June 2010	(16,832,846)	(126,893)	(16,959,739)

26. Other reserves (contd.)

(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.

27. 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 an irrevocable option to disregard the Section 108 balance of the Income Tax Act 1967 ("Section 108") 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 2010, the Company has tax exempt profits available for distribution of approximately RM5,847,000 (2009: RM3,610,000) subject to agreement with the Inland Revenue Board.

On 1 January 2008, the Company did not have any Section 108 balance, therefore it automatically moved to single tier system. The Company may distribute dividends out of its retained earnings as at 30 June 2010 under single tier system.

28. Borrowings

	Group 2010 RM	Group 2009 RM
Short term borrowings		
Secured:		
Hire purchase liabilities (Note 29)	31,532	61,871
Term loans	159,491	-
	191,023	61,871
Long term borrowings		
Secured:		
Hire purchase liabilities (Note 29)	1,777	32,756
Term loans	894,206	-
	895,983	32,756
Total borrowings		
Hire purchase liabilities (Note 29)	33,309	94,627
Term loans	1,053,697	-
	1,087,006	94,627
Maturity of borrowings		
Within 1 year	191,023	61,871
More than 1 year and less than 2 years	169,299	30,979
More than 2 years and less than 5 years	538,675	1,777
More than 5 years	188,009	-
	1,087,006	94,627

28. Borrowings (contd.)

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

	Weighted average Interest rate		Fair value	
	2010	2009	2010	2009
	%	%	RM	RM
Term loans	2.72	-	1,010,277	-

During the financial year, a subsidiary, BHS Resouces Pte. Ltd. ("BHSR") was granted a new term loan of SGD600,000 to finance the acquisition of two units of commercial properties in Singapore. The term loan comprises Commercial Property Loan I and II ("CPL I" and "CPL II"). BHSR has drawndown SGD480,000 (equivalent to RM1,115,616) during the financial year.

The term loans are secured by way of the following:

(a) Mortgage-in Escrow (Open) to be executed over the two units of commercial properties;

(b) Legal assignment of rental proceeds to be executed in respect of the properties mentioned above; and

(c) Personal guarantee for SGD600,000 to be executed by a director of the Company, Heng Song Khoon.

The CPL I and CPL II shall each be repaid over 120 monthly installments of:-

	Monthly installment		
	First year	Second year	Thereafter
	SGD	SGD	SGD
Approximate monthly installment	2,867	2,894	3,219

The installment amount will change if there is a change in interest rate.

The term loan interest incurred during the year of RM4,866 was capitalised in the cost of the commercial properties as disclosed in Note 13 (b).

29. Hire purchase payables

	Group	
	2010	2009
	RM	RM
Future minimum lease payments		
Not later than 1 year	32,232	64,404
Later than 1 year and not later than 2 years	1,783	32,232
Later than 2 years and not later than 5 years	-	1,784
	34,015	98,420
Less: Future finance charges	(707)	(3,793)
Present value of finance leases	33,308	94,627
Analysis of present value of finance lease liabilities:		
Not later than 1 year	31,532	61,871
Later than 1 year and not later than 2 years	1,777	30,979
Later than 2 years and not later than 5 years	-	1,777
	33,309	94,627
Analysed as:		
Due within 12 months (Note 28)	31,532	61,871
Due after 12 months (Note 28)	1,777	32,756
	33,309	94,627

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

		Weighted average Interest rate		Fair value	
		2010	2009	2010	2009
Group	**Maturity**	%	%	RM	RM
Hire purchase liabilities	2010 to 2011	1.95	2.89	33,837	94,017

30. Trade payables

	Group 2010 RM	Group 2009 RM
Trade payables	2,205,977	1,753,969
Writers' royalty fees	93,999	123,593
	2,299,976	1,877,562

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.

31. Other payables

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Other payables	1,802,936	1,686,930	-	50,005
Accruals	473,036	419,480	115,432	48,333
	2,275,972	2,106,410	115,432	98,338

32. Operating lease arrangements

The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its investment property portfolio. These leases have remaining non-cancellable lease terms of between 2 and 4 years.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as receivables, are as follows:

	Group	
	2010 RM	2009 RM
Not later than 1 year	30,158	-
Later than 1 year and not later than 5 years	80,275	-
	110,433	-

Investment property rental income recognised on profit or loss during the financial year is disclosed in Note 4.

33. Significant related party transactions

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

		2010 RM	2009 RM
Group			
Transactions with related parties *			
Rental paid to Rakan Bersatu Sdn. Bhd.	(i)	644,280	497,400
Sales to System Publishing House Pte. Ltd.	(ii)	(149,878)	(64,935)
Acquisition of agricultural freehold land from:	(iii)		
- Harta Sistem Sdn. Bhd.		2,124,615	-
- System Industrial Development Sdn. Bhd.		168,825	-

33. Significant related party transactions (contd.)

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

		2010 RM	2009 RM
Company			
Transactions with related parties *			
Acquisition of agricultural freehold land from:	(iii)		
- Harta Sistem Sdn. Bhd.		2,124,615	-
- System Industrial Development Sdn. Bhd.		168,825	-
Transactions with subsidiaries			
Management fees receivable from the following subsidiaries:	(iv)		
- BHS Book Printing Sdn. Bhd.		940,220	1,074,922
- Pustaka Sistem Pelajaran Sdn. Bhd.		22,625	59,819
- Star CTP Imaging Sdn. Bhd.		-	69,978
- Pustaka Yakin Pelajar Sdn. Bhd.		-	4,277
Printing costs charged by BHS Book Printing Sdn. Bhd.	(v)	10,320	15,250

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

(i) Rental rates are in accordance with mutually agreed terms.

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

(iii) Purchase prices are in accordance with mutually agreed term.

(iv) The management fees receivable are charged at 2% of total monthly sales of the subsidiaries.

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

33. Significant related party transactions

(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	
	2010 RM	2009 RM	2010 RM	2009 RM
Salaries	653,985	560,650	456,000	378,000
Bonus	287,700	344,050	60,000	100,000
Defined contribution plans	112,224	106,572	64,800	60,240
Fees	228,600	214,600	228,600	214,600
Other emoluments	31,042	37,645	15,000	12,000
Estimated money value of benefits-in-kind	29,550	21,657	9,900	6,600
	1,343,101	1,285,174	834,300	771,440

Included in the total key management personnel are:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Directors' remuneration (Note 6)	924,710	857,257	677,700	614,840

34. 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 various business 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.

34. Financial instruments (contd.)

(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. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

(c) Foreign currency risk

The Group operates internationally and exposed to various currencies, mainly Singapore Dollars, 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 2010			
Trade receivables	746,336	81,868	828,204
Cash and bank balances	3,859,717	9,671	3,869,388
	4,606,053	91,539	4,697,592
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
	3,222,154	229,552	3,451,706

34. Financial instruments (contd.)

(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 2010 are not materially different from their carrying values due to their short term nature.

BHS Industries Berhad
(Incorporated in Malaysia)

35. Segment information

(a) Business segments

The Group comprises three main business segments, namely printing, publishing and investment property. 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	Investment property RM	Others RM	Eliminations RM	Consolidated RM
30 June 2010						
Revenue						
External sales	47,847,916	1,014,435	-	-	-	48,862,351
Inter-segment sales sales	172,839	408,435	-	987,651	(1,568,925)	-
	48,020,755	1,422,870	-	987,651	(1,568,925)	48,862,351
Results						
Segment results	9,204,840	(1,894,910)	-	4,223,846	(4,517,725)	7,016,051
Rental income	-	-	17,592	-	-	17,592
Interest Income						95,495
Finance costs						(32,001)
Taxation						(1,686,589)
Net profit for the year						5,410,548

35. Segment information (contd.)

(a) Business segments (contd.)

	Printing RM	Publishing RM	Investment property RM	Others RM	Eliminations RM	Consolidated RM
30 June 2010						
Assets						
Segment assets	38,820,322	3,495,140	6,939,618	13,559,426		62,814,506
Liabilities						
Segment liabilities	6,165,462	139,705	-	1,451,605		7,756,772
Other information						
Capital expenditure	1,967,298	-	-	6,939,618		8,906,916
Depreciation	1,478,003	48,121	-	109,105		1,635,229
Other significant non-cash expenses						
Net provision for doubtful debts	365,858	58,340	-	-		424,198
Bad debts written off	148,199	275,836	-	-		424,035
Impairment loss on other investments	-	-	-	368,883		368,883
Reversal of provision for inventories obsolescence	-	(59,675)	-	-		(59,675)

BHS Industries Berhad
(Incorporated in Malaysia)

35. Segment information (contd.)

	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)	-
	51,562,093	3,953,141	4,707,919	(6,711,876)	53,511,277
Results					
Segment results	8,308,636	(1,214,340)	4,696,386	(2,854,613)	8,936,069
Interest Income					61,692
Finance costs					(220,042)
Taxation					(2,174,581)
Net profit for the year					6,603,138
Assets					
Segment assets	39,176,024	12,101,058	9,494,602		60,771,684
Liabilities					
Segment liabilities	5,587,186	217,404	645,500		6,450,090
Other information					
Capital expenditure	2,772,979	3,098	169,363		2,945,440
Depreciation	1,588,908	57,167	205,024		1,851,099
Amortisation	32,694	-	-		32,694

BHS Industries Berhad
(Incorporated in Malaysia)

35. Segment information (contd.)

	Printing RM	Publishing RM	Others RM	Eliminations RM	Consolidated RM
30 June 2009					
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	-		107,837

(b) Geographical segments

The following table provides an analysis of the Group's revenue by geographical segement:

	2010 RM	2009 RM
Malaysia	48,862,351	53,511,277
Singapore	-	-
	48,862,351	53,511,277

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by geographical segments:

	Segment assets		Capital expenditure	
	2010 RM	2009 RM	2010 RM	2009 RM
Malaysia	59,185,125	60,771,684	6,414,887	2,945,440
Singapore	3,629,381	-	2,492,029	-
	62,814,506	60,771,684	8,906,916	2,945,440

36. Significant events during the financial year

(a) Disposal of prepaid land lease payments
Details of disposal of prepaid land lease payments are disclosed in Note 11.

(b) Acquisition of investment properties
Details of acquisition of investment properties are disclosed in Note 13.

(c) Purchase of own shares
Details of purchase of own shares are disclosed in Note 25(b).

(d) Rationalisation of subsidiaries' business activities
On 1 July 2009, the Group streamlined the business activities to achieve cost reductions and efficiency by transferring the plant and equipment, inventories and trade receivables balances in Pustaka Yakin Sdn. Bhd. to Pustaka Sistem Sdn. Bhd. and Star CTP Imaging Sdn. Bhd. to BHS Book Printing Sdn. Bhd.

There is no financial impact to the Group arising from such changes in business activities amongst subsidiaries.