



provide **one-stop**
engineering **solution**

years
anniversary

your
one-stop engineering
solution

MISSION VISION

To continuously acquire latest technologies in design and development by keeping abreast with global developments for the advancement of Microelectronics Components ("MEC") and benefits of our customers.

- To provide one-stop engineering solution to our customers, from the design and development of MEC to the complete design, fabrication and assembly of toolings for the manufacturing of these MEC.
- To continuously enhance our Research and Development ("R&D") capabilities to enable us to offer quality MEC to our customers at competitive pricing.
- To continuously strengthen the core competencies of the Group through on-going improvement on the employees' skills and knowledge.

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Corporate Information

Board of Directors

Dato' Tan King Seng (*Executive Chairman/ Managing Director*)
 Ooi Yeok Hock (*Executive Director*)
 Tan Chin Hong (*Executive Director*)
 Cheah Choon Ghee (*Executive Director*)
 Loh Chye Teik (*Senior Independent Non-Executive Director*)
 Teoh Yee Shien (*Independent Non-Executive Director*)
 Dato' Dr. Loh Hock Hun (*Independent Non-Executive Director*)

Audit Committee

Loh Chye Teik (*Chairman*)
 Teoh Yee Shien
 Dato' Dr. Loh Hock Hun

Nomination Committee

Loh Chye Teik (*Chairman*)
 Teoh Yee Shien
 Dato' Dr. Loh Hock Hun

Remuneration Committee

Loh Chye Teik (*Chairman*)
 Teoh Yee Shien
 Ooi Yeok Hock

Company Secretaries

Chee Wai Hong (MIA 17181)
 Foo Li Ling (MAICSA 7019557)

Registered Office

51-13-A Menara BHL Bank
 Jalan Sultan Ahmad Shah
 10050 Pulau Pinang
 Tel : 04-228 9700
 Fax : 04-227 9800

Management Office

15-1-21 Bayan Point
 Medan Kampung Relau
 11900 Penang
 Tel: 04-6465121
 Fax: 04-6457326
 Email: corpinfo@jhm.net.my
 Website: www.jhm.net.my

Auditors

Grant Thornton
 Chartered Accountants
 51-8-A Menara BHL Bank
 Jalan Sultan Ahmad Shah
 10050 Pulau Pinang
 Tel : 04-228 7828
 Fax : 04-227 9828

Share Registrar

Agriteum Share Registration Services Sdn Bhd
 2nd Floor, Wisma Penang Garden
 42 Jalan Sultan Ahmad Shah
 10050 Pulau Pinang
 Tel : 04-228 2321
 Fax : 04-227 2391

Principal Bankers

Hong Leong Bank Berhad
 Malayan Banking Berhad
 OCBC Bank (Malaysia) Berhad

Solicitors

Zaid Ibrahim & Co.

Stock Exchange Listing

ACE Market of Bursa Malaysia Securities Berhad
 Stock Name : JHM
 Stock Code : 0127



**MORRISSEY TECHNOLOGY
SDN BHD**
(525307-W)

Designing and manufacturing of
precision microelectronic components



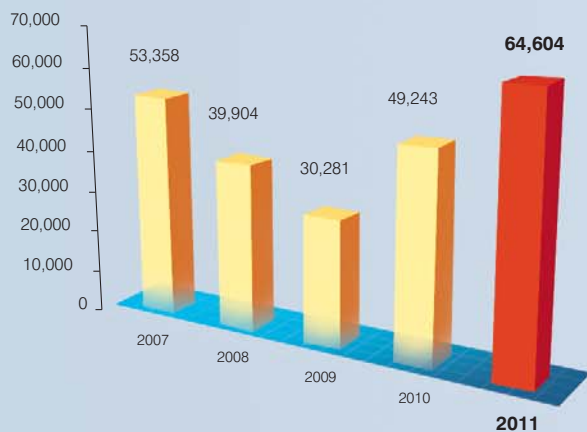
**JINGHENG ELECTRONIC
PRECISION TECHNOLOGY
SDN BHD**
(557981-X)

Original design manufacturer (“ODM”)
of High Brightness LED components

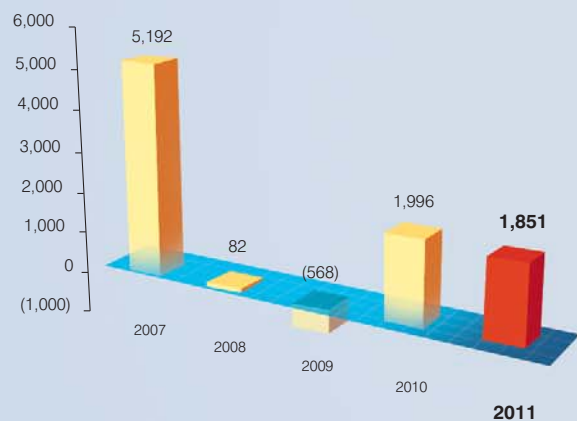
5 Year's Financial Highlights

Year ended 31 December	Audited				
	(Restated) 2007 ⁽¹⁾ (RM'000)	2008 (RM'000)	2009 (RM'000)	2010 (RM'000)	2011 (RM'000)
Revenue	53,358	39,904	30,281	49,243	64,604
Profit/(Loss) for the period	5,192	82	(568)	1,996	1,851
Gross Earning/(Loss) per share (sen)	4.92	0.22	(0.44)	2.05	1.36
Net Earning/(Loss) per share (sen)	4.22	0.07	(0.46)	1.62	1.51

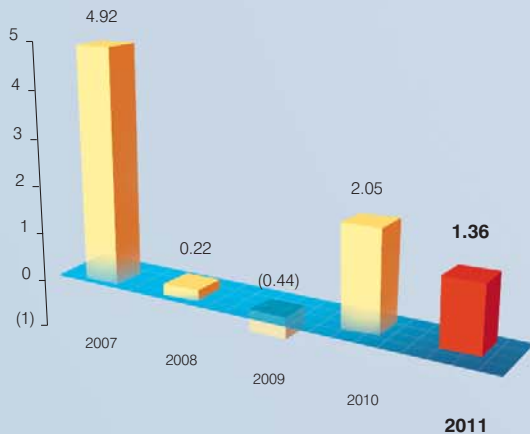
Revenue
RM'000



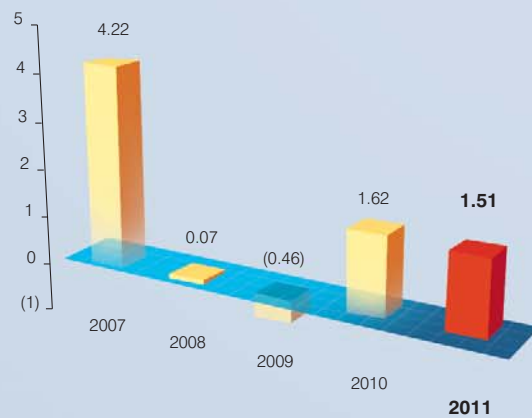
Profit/(Loss) for the period
RM'000



Gross Earning/(Loss) per share
Sen



Net Earning/(Loss) per share
Sen



Notes:-

1) Restated due to adoption of FRS 112: Income Taxes.

Directors' Profile

Dato' Tan King Seng,
aged 56, a Malaysian



He is our Executive Chairman and Managing Director and was appointed to the Board on 13 April 2006. He graduated with a Bachelor of Science Degree in Mechanical Engineering from National Cheng Kung University of Taiwan in 1983. Dato' Tan started his career as an engineer with Intel Technology Sdn. Bhd. in 1984, and thereafter in Hewlett Packard Sdn. Bhd. in 1989. Prior to starting his own business in 1995, he was a Senior Production Engineer in charge of Optoelectronic Production in Hewlett Packard Sdn. Bhd.

Ooi Yeok Hock,
aged 49, a Malaysian,



He is our Executive Director and was appointed to the Board on 13 April 2006. He serves as a member of the Remuneration Committee.


He is currently in charge of the R&D and Engineering Department of Morrissey Technology Sdn. Bhd. ("Morrissey"). He graduated with a Bachelor of Engineering Degree majoring in Mechanical Engineering from University of Strathclyde, United Kingdom in 1986 and subsequently obtained a Diploma in Electrical Engineering from City & Guilds (C&G), United Kingdom in 1990. Mr. Ooi started his career as a Senior Process Engineer with Northern Telecom Sdn. Bhd. in 1987. He left Northern Telecom Sdn. Bhd. in 1995 and joined Allied Stamping Corporation Sdn. Bhd. as its Operation and Engineering Manager responsible for the company's plant operation and engineering, a position which he held until 2000. Prior to joining Morrissey in 2001, he has more than 15 years of experience in engineering and production of MEC from multinational corporations in the United States of America, China and Malaysia.

Tan Chin Hong,
aged 44, a Malaysian,



He is our Executive Director and was appointed to the Board on 13 April 2006. Mr. Tan started his career as a Machining Technician with Mifa Engineering Sdn. Bhd. in 1989. He joined Brusia Engineering Sdn. Bhd. as a Production Supervisor in 1992 and was promoted to Production Manager in 1994. He left Brusia Engineering Sdn. Bhd. in 1999 and joined Forward Matrix Sdn. Bhd. as the General Manager in charge of Factory Operation, a position which he held until July 2001. Prior to joining Morrissey in September 2001 as its Plant Manager, he has 10 years working experience in design and fabrication of tools and dies and 5 years working experience in production.

Cheah Choon Ghee,
aged 49, a Malaysian,



He is our Executive Director and was appointed to the Board on 11 December 2007. Prior to his appointment to the Board, he is the Senior Administration Manager of our Group. He graduated with a Diploma in Electronic Engineering from Tunku Abdul Rahman College in 1984. Mr. Cheah started his career as an Assistant Engineer with National Semiconductor Sdn. Bhd. in 1985. He left National Semiconductor Sdn. Bhd. in 1989 and joined Cintronic Marketing Sdn. Bhd. as its Administrator Manager in charge of the company's operation until 1995. In 1996, Mr. Cheah joined Allied Stamping Corporation Sdn. Bhd. as its Sales Director overseeing the company's business and later left in year 2000. Currently, Mr. Cheah is in charge of the entire administration department of the JHM Group.

He is a director and shareholder of Noble Matters Sdn. Bhd., which is a major shareholder of the Company.

Directors' Profile (cont'd)



Loh Chye Teik,
aged 53, a Malaysian,

He is our Senior Independent Non-Executive Director and was appointed to the Board on 13 April 2006. He serves as the Chairman of Audit Committee, Remuneration Committee and Nomination Committee. He graduated from University of Malaya, Kuala Lumpur with a Bachelor of Accounting (Honours) in 1984.

He is presently the Managing Partner of PKF Chartered Accountants and Managing Director of Interresources Tax Advisory Sdn. Bhd.. He is a member of both the Malaysian Institute of Accountants and the Malaysian Institute of Taxation. Mr. Loh started his career as an auditor in a Chartered Accountants firm in Penang in 1985 and proceeded to set up his own accountancy and audit firm in 1994, known as Tan & Loh Chartered Accountants, and held the position of the Managing Partner.



Teoh Yee Shien,
aged 45, a Malaysian,

She is our Independent Non-Executive Director and was appointed to the Board on 13 April 2006. She serves as a member of Audit Committee, Remuneration Committee and Nomination Committee. She graduated with a Bachelor of Accounting from Universiti Utara Malaysia in 1991 and is a member of the Malaysian Institute of Accountants. She started her career in the audit division of Pricewaterhouse Coopers prior to joining Leader Universal Holdings Berhad as the Corporate Planning and Investment Manager for seven (7) years. She joined Prinsipstek Corporation Berhad in year 2003 as the Group Financial Controller. She leads Prinsipstek Corporation Berhad Group's accounts and finance team, legal department and corporate affairs department. She is actively involving in the Prinsipstek Corporation Berhad Group's operations and corporate planning.



Dato' Dr. Loh Hock Hun,
aged 67, a Malaysian,

He is our Independent Non-Executive Director and was appointed to the Board on 11 December 2007. He serves as a member of the Audit Committee and Nomination Committee. He graduated with a Doctor of Medicine from Kaohsiung Medical University in Taiwan in 1974. Upon his return to Malaysia, Dato' Dr. Loh was employed by the General Hospital of Penang until 1980 where he entered into a partnership to open a clinic until 1999. In 1995, he became a State Assemblyman in the State Legislative Assembly of Penang, a position he held until February 2008. For the period from 1999 to 2004, Dato' Dr. Loh served his term as an Executive Councilor of the Penang State Government. In addition, in August 2004, Dato' Dr. Loh was appointed as a Chairman of the Penang Port Commission, a position he held until the end of 2008.

Notes:

1. Save for Mr. Tan Chin Hong who is the nephew of Dato' Tan King Seng, there are no other family relationships or associations amongst the directors or major shareholders of the Company.
2. All the Directors do not have any conflict of interest with the Company and they also had not been convicted of any offence within the past ten (10) years, other than traffic offences, if any.
3. The Directors' shareholdings are as disclosed in page 74 of this Annual Report.

Directors' Directorships and Substantial Shareholdings in Other Public Companies

None of our Directors hold or have held any directorships in other public companies, save for Mr. Loh Chye Teik, who is currently an Independent Non-Executive Director of Yen Global Berhad, Olympia Industries Berhad and Ivory Properties Group Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad.

On behalf of the Board of Directors of JHM Consolidation Berhad, it is my pleasure to present the Annual Report and Audited Financial Statements of the Group and the Company for the Financial Year Ended (FYE) 31 December 2011.

Industry Trends and Development

The robust and buoyant economy in Year 2011 proved to be a catalyst for recovery in the automotive industry. There has been a clear improvement in market conditions which has contributed to greater consumer confidence and business sentiment. However, the positive showing was tempered somewhat in mid-2011 due to the deteriorating European debt crisis which has placed a slight damper on what should have been a very positive year.

Despite this, the Malaysian economy is expected to remain resilient and show healthy growth in the face of adversity although the actual economic growth might fall short of the Government's projections.

Financial Performance

Despite the various challenges, the Group ended the year on a positive note. The Group's revenue has increased to RM64.60 million during the FYE 2011 compared to RM49.24 million in previous financial year, a positive increase of RM15.36 million or 31.19%.

As a dynamic, forward looking Company which is looking to grow, we diligently seek opportunities in the face of the increasingly competitive business environment. In order to cope with the increasing demand in the automotive industry, particularly for Light Emitting Diode (LED) related products, the Group has increased its production capacity by setting up a new plant at rented premises.

Dividend

No dividend has been declared and the Board of Directors do not recommend any dividend payment during the FYE 31 December 2011.

Corporate Development

The Company did not carry out any corporate exercise during the financial year.

Prospects

Global economic growth in 2012 is expected to be weak due to the faltering European markets. Nevertheless, amidst these unfavourable conditions, the management is prepared to buckle down, work together and weather any possible storm as we continue to build on our strengths and focus on improving our market position.

Looking beyond 2011, we would like to reiterate our steadfast commitment in creating a stronger platform for the Group. We intend to stay focused on our core competencies and aim to emerge in a stronger position for years to come. We strongly believe that with proper management and support from all parties, our prospects for long term and sustainable growth remain sound.

Appreciation

On behalf of the Board of Directors, I would like to convey my sincere appreciation to the management and staff for their loyalty, commitment and dedication that has greatly contributed to the Group's positive results. I would also like to put on record our sincere gratitude to our valued suppliers and financiers who have consistently supported us through thick and thin.

I also extend my gratitude to our customers, business partners and our shareholders for their continuous support and confidence in the Group. Together, as a team, we can build on this spirit and relationship and propel the Group forward confidently to take JHM to greater heights.

Last but not least, I would like to thank my fellow Board members who have always provided valuable advice, constant guidance and wise counsel.

Dato' Tan King Seng
Executive Chairman / Managing Director

Corporate Governance Statement

The Board of Directors (“the Board”) is committed to ensure that a high standard of corporate governance is practiced throughout the Company and its subsidiaries (“the Group”) in discharging its responsibilities with integrity, transparency and professionalism to protect and enhance shareholders’ value and the financial position of the Group. The Board has always been vigilant of the fiduciary duties entrusted upon the Board as a principle guide in discharging its duties.

The Board is fully committed towards ensuring the principles and best practices set out in Part 1 and Part 2 respectively in the Malaysian Code on Corporate Governance (Revised 2007) (“the Code”) pursuant to Rule 15.25 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) are applied and practiced throughout the Group.

The statement below sets out on how the Group has applied the principles and the extent of its compliance with the best practices throughout the financial year ended 31 December 2011.

A. BOARD OF DIRECTORS

Composition and Balance

The Company is led and managed by a well-balanced Board which consists of members with wide range of business, technical and financial background. The Board is entrusted with the proper stewardship of the Company’s resources for the best interest of its shareholders and also to steer the Group towards achieving the maximum economic value. The members of the Board, who have extensive experience and expertise in a wide range of related and unrelated industries, have been selected based on their skills, knowledge and their ability to add strength to the leadership. The business and financial experience of each member of the Board has inevitably contributed to the success in steering the Group toward sustaining its financial performance. The Board recognises its roles in reviewing and adopting strategic plans as well as overseeing the conduct of the Group’s business.

The Board is made up of seven (7) members as follows:-

- Four (4) Executive Directors
- Three (3) Independent Non-Executive Directors.

This is in compliance with the one-third requirement for Independent Directors to be appointed to the Board under AMLR. The profiles of the Directors are presented on pages 5 to 6 of this Annual Report.

There is a clear division of authority between the Executive Chairman/Managing Director and Executive Directors, to ensure a balance of power and authority. The Independent Non-Executive Directors are independent from Management and have no relationships that could interfere with the exercise of their independent judgement. They play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. As such, the Board is of the opinion that the position of the Executive Chairman and the position of the Managing Director need not be separated as this is in the best interest of the Group.

All decisions of the Board are made based on majority decision and no individual Board member can make any decision on behalf of the Board, unless duly authorised by the Board. As such, no individual or a group of individuals dominate the decision-making process.

Mr. Loh Chye Teik is the designated Senior Independent Non-Executive Director to whom concerns relating to the Company may be conveyed by shareholders or stakeholders.

Appointment to the Board

The Board has established the Nomination Committee for the purpose of making recommendations on suitable candidates for appointment to the Board and for assessing Directors on an ongoing basis. Candidates recommended must be approved and appointed by the Board. The Nomination Committee is responsible for recommending the right candidates with the required skills, experience and attributes to the Board for appointment.

Further details on the Nomination Committee are set out on page 11 of this Annual Report.

Retirement and Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors including the Managing Director shall retire by rotation from office at each Annual General Meeting ("AGM") and they shall be eligible for re-election at the AGM. The Directors to retire shall be the Directors who have been longest in office since their appointment or last re-election. In addition, all Directors including the Managing Director shall be subject to retirement by rotation at least once every three (3) years.

Directors who are standing for re-election at the Seventh AGM of the Company to be held on 28 May 2012 are as per detailed set out in the Notice of the Seventh AGM.

Board Meetings

The Board is to meet at least four times a year with additional meetings convened as and when necessary. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions. Among others, key matters such as approval of annual and quarterly results, financial statements, major acquisitions and disposals, major capital expenditure, risk management policies are discussed and decided by the Board.

During the financial year, the Board met four (4) times. The details of attendance of the Directors during the financial year ended 31 December 2011 are as follows: -

Name of Director	Number of Meetings Attended	Percentage of Attendance
Dato' Tan King Seng	4/4	100%
Ooi Yeok Hock	4/4	100%
Tan Chin Hong	4/4	100%
Loh Chye Teik	4/4	100%
Teoh Yee Shien	4/4	100%
Dato' Dr. Loh Hock Hun	4/4	100%
Cheah Choon Ghee	3/4	75%

The Company Secretary ensures there is a quorum for all meetings and that such meetings are convened in accordance with the relevant Terms of Reference. The minutes prepared by the Company Secretary memorialise the proceedings of all meetings including pertinent issues, the substance of inquiries and responses, members' suggestions and the decision made. This reflects the fulfillment of the Board's fiduciary duties and the significant oversight role performed by the respective Board Committees.

Directors' Training

The Directors are encouraged to attend continuous education programmes such as seminars and conferences. This is to keep themselves abreast with the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and the need to be cognizant of commercial opportunities and risks as well as to be adequately equipped to execute judicious decision making.

Corporate Governance Statement (cont'd)

Directors' Training (cont'd)

Details of the training programmes attended by the Directors throughout the year are as follow:-

Name	No of days	Mode of Training	Title
Dato' Tan King Seng	One day	Seminar	Budget 2012 Proposals & Transfer Pricing
Ooi Yeok Hock	Two days	Training Program	Managing Performance For Results
Tan Chin Hong	Two days	Training Program	Managing Performance For Results
Loh Chye Teik	Two days	Seminar	Driving Business Transformation Dynamics Through Regulations And Enforcement
	One day	Seminar	Review Of Recent And Forthcoming Changes in FRSs (2010-2012)
	Two days	Conference	National Tax Conference 2011
Teoh Yee Shien	One day	Seminar	Tax Restructuring For Companies In Economic Downturn
	Half-day	Training	Sustainability Programme For Corporate Malaysia
	Half-day	Training	Advocacy Sessions On Disclosure For Chief Executive Officers ("CEO") And Chief Financial Officers ("CFO")
Dato' Dr. Loh Hock Hun	Half-day	Seminar	Board Effectiveness: Understanding The Roles & Functions Of The Nominating & Remuneration Committees
Cheah Choon Ghee	Half-day	Seminar	Board Effectiveness: Understanding The Roles & Functions Of The Nominating & Remuneration Committees

In addition to the above training attended, the Directors also received updates from time to time from Company Secretary on the amendments to the Listing Requirements, Companies Act, 1965 as well as Malaysia Code on Corporate Governance.

Supply of Information

In order to carry out their duties effectively and diligently, all the Directors have been granted unrestricted access to all information pertaining to the Group's business and affairs as well advice and services of the Company Secretaries in order to assist them in their decision-making. Where necessary, the Directors may engage independent professionals, at the Group's expense, to advise them on specialised issues for the purpose of decision-making.

Formal notices, agendas, paper and reports are supplied to the Board in a timely manner prior to the Board meetings. The Board is supplied with all necessary information to enable it to effectively discharge its duties and responsibilities.

Minutes of the previous Board Meeting are circulated in advance to the Board for review and confirmation at each Board Meeting. Matters requiring further actions and updates arising from previous meeting are identified to ensure all outstanding issues are sufficiently addressed and followed through and all further information is provided for decision making. The proceedings and resolutions passed at the each Board Meeting are minuted and kept in the statutory minutes book.

Committees of the Board

The Board, in discharging its fiduciary duties, is assisted by the following Board Committees which have been set up for specific functions. The term of reference for each committee have been approved by the Board and comply with the best practices recommended by the Code:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

Audit Committee

The terms of reference of the Company's Audit Committee and its activities during the financial year are set out under the Audit Committee Report on pages 17 to 20 of this Annual Report.

Nomination Committee

The Nomination Committee currently comprises the following members:

Name of Directors	Designation
Loh Chye Teik (Chairman)	Senior Independent Non-Executive Director
Teoh Yee Shien	Independent Non-Executive Director
Dato' Dr. Loh Hock Hun	Independent Non-Executive Director

The Committee consists entirely of Non-Executive Directors, where all its members are independent.

The Nomination Committee is responsible for nominating the right candidates with the required skills, experience and attributes for recommendation to and appointment by the Board. The Nomination Committee also recommends to the Board to fill the seats on the board committees. A familiarisation programme, including visits to the Group's business and operations premises and meetings with Senior Management will be arranged for new Directors to facilitate their understanding of the Group.

During the financial year, the committee has assessed the effectiveness of the Board, the committees of the board and the contribution of each individual director, including Independent Non-Executive Directors as well as reviewing re-election of the retiring Directors of the Company and proposed nomination of Dato' Dr. Loh Hock Hun as an additional member of Nomination Committee. The Nomination Committee meets at least once a year and as and when necessary and may make decisions by way of circular resolutions.

Remuneration Committee

The Remuneration Committee comprises the following members:

Name of Directors	Designation
Loh Chye Teik (Chairman)	Senior Independent Non-Executive Director
Teoh Yee Shien	Independent Non-Executive Director
Ooi Yeok Hock	Executive Director

The Committee consists mainly of Non-Executive Directors, where two (2) out of the three (3) members are Independent Non-Executive Directors. The Committee is responsible for recommending to the Board the appropriate remuneration of the Executive Directors in all forms.

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

The remuneration of the Non-Executive Directors is a matter for the Board as a whole and the Director concerned is required to abstain from deliberation and voting on decisions relating to his/her own remuneration. Directors' fees are subject to shareholders' approval at the forthcoming AGM.

Corporate Governance Statement (cont'd)

B. DIRECTORS' REMUNERATION

The objective of the Company's policy on Directors' remuneration is to attract and retain the appropriate Directors of the caliber to run the Group successfully. In general, the remuneration is structured so as to link rewards to corporate and individual performance, as in the case of the Executive Directors and senior management. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken individually by the Director concerned.

The aggregate remuneration of the Company's Directors derived from the Group for the financial year under review is as follows:-

	Executive Directors RM	Non-Executive Directors RM	Total RM
Salary, bonus and EPF	936,482	-	936,482
Fee	-	54,000	54,000
Benefits-in-kind	34,500	-	34,500
Allowance	-	6,000	6,000
Total	970,982	60,000	1,030,982

The number of the Company's Directors whose total remunerations derived from the Group during the financial year under review that fall within the following bands is as follows: -

Range of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50,000 and below	-	3
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	1	-
RM150,001 – RM200,000	-	-
RM200,001 – RM250,000	2	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	-	-
RM350,001 – RM400,000	1	-
Total	4	3

The Board has chosen to disclose the aggregate remuneration of the Directors pursuant to the AMLR as the separate and detailed disclosure of individual Director's remuneration will not add significantly to the understanding and evaluation of the state of the Group's corporate governance.

C. SHAREHOLDERS

Dialogue between Company and Investors

The Group acknowledges the importance of timely dissemination of information to shareholders and accordingly, ensures that they are well informed of any major developments of the Group. Such information is communicated through:

- Announcements and corporate disclosure to Bursa Malaysia Securities Berhad that are available on the website www.bursamalaysia.com ;
- Company website at www.jhm.net.my provides corporate information on the Group;
- Annual Report of the Company.

C. SHAREHOLDERS (cont'd)

AGM

The AGM is the principal forum for dialogue with all shareholders and the Board encourages shareholders to attend and participate in the AGM. Shareholders are provided with an opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns. Shareholders are also encouraged to participate in the question and answer session.

A copy of the Annual Report and the notice of the AGM are sent to all shareholders at least 21 days before the AGM. The notice of AGM is also published in a nationally circulated daily newspaper. The Board is available to respond to shareholder questions during the meeting. Where appropriate, the Board will undertake to provide written answers to any questions that cannot be readily answered at the meeting.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

Shareholders are also informed of and invited to attend any Extraordinary General Meetings through circulars and notices of meetings.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the Annual Report and quarterly announcement of interim financial results to the shareholders, the Board aims to provide and present a balanced and understandable assessment of the Group's financial performance and prospects.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting process in ensuring accuracy and adequacy of information by reviewing and recommending for adoption of information for disclosure.

The statement of Board of Directors' responsibility for preparing the annual audited financial statements pursuant to Rule 15.26 of the AMLR is set out on page 21 of this Annual Report.

Internal Control

The Group's Statement on Internal Control is set out on pages 15 to 16.

Relationship with the Auditors

The Board through Audit Committee, maintains a close and formal as well as a transparent arrangement and relationship with the external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

The role of the Audit Committee in relation to the External Auditors may be found in the Audit Committee Report set out on pages 17 to 20 of this Annual Report.

Statement of Compliance with the Best Practices in Corporate Governance

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied throughout the financial year with the Best Practices in Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance.

This statement is made in accordance with the resolution of the Board dated 19 April 2012.

Statement on Corporate Social Responsibility (CSR)

The Group is driven by the belief that in pursuit of any business objective, we need to strike a balance between profitability and contributions to the social welfare of employees, community and environmental responsibilities.

During the year under review, our Group continued to carry out diverse range of CSR activities that are reflective of the Group intention of giving back to society.

EMPLOYEES

We strongly believe that human capital is the most important value to an organisation. In retaining the best talents, we continually provide our employees with education and training. Employee Training and Development which is carried out internally and externally aimed at equipping our employees with skills and knowledge related to projects and tasks handled by them so that these may be executed to meet customers' needs and expectation. In recognition of their services and create amiable workplace for its employees, the Group organised several events throughout the year such as buffet dinner during Labour Day, annual dinner & recreational activities for the employees.

ENVIRONMENT

As part of our corporate social responsibility agenda, the Group ensured strictly on going compliance with the environmental laws governing plant operations, maintenance in areas relating to environmental standards, emission standards and noise level management. This is in line with our manufacturing factories being certified as an ISO 14001 organization holder by an international body.

The Group is also involved in "Program Gotong Royong" together with local authority to provide a more conducive working environment surrounding the area we operate in. On-going programmes initiated among its staff on awareness of recycling of waste materials and continuous improvements in our manufacturing process create a greener environment.

COMMUNITY

During the year, the Group has contributed in term of monetary and non-monetary items to various organisations. A visit to Old Folks Home, an effort to instill a sense of caring among its staffs was initiated to bring joy and happiness to our elderly. An internship programme offered by the Group to a number of undergraduates stand as a platform for the Group to return to the community for a better generation.

INTRODUCTION

Pursuant to Rule 15.26 (b) of the AMLR, the Board is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies issued by the Institute of Internal Auditors Malaysia and as adopted by Bursa Malaysia Securities Berhad.

BOARD RESPONSIBILITY

The Board recognises the importance of maintaining a sound internal control system, which covers risk management and the financial, operational and compliance controls to safeguard shareholders' investment, the Group's assets as well as ensuring a true and fair presentation of financial reports. In this respect, the Board acknowledges that it is responsible for the Group's system of internal control and for the continuing review of its adequacy and integrity. The Board has appointed an external consultant, Finfield Corporate Services Sdn. Bhd. to provide professional services for internal control assessment and to carry out internal audit function of the Group.

However, the Board acknowledges that while it has endeavoured in formulating a strong internal control system, the system is designed to mitigate, rather than eliminate, the risk of failure in achieving the business objectives Group. Hence, it can only provide reasonable but not absolute assurance against material misstatement or loss, contingencies, fraud or any irregularities.

RISK MANAGEMENT FRAMEWORK

The Group has engaged an independent professional firm to assist the Board in establishing a risk management framework for the Group. The risk profiles of the various operating units in the Group were compiled. Since then, major business risks and their possible impact and likelihood of crystallization have been evaluated by the key executives, reviewed and endorsed by senior management and subsequently by the Board.

KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROLS

The key elements of the Group's control mechanism are described as follows:

- Giving authority to the Board Committee members to investigate and report on any areas of improvement for the betterment of the Group;
- Performing in-depth study on major variances and deliberating irregularities in the Board meetings and Audit Committee meetings so as to identify the causes of the problems and formulate solutions to resolve them;
- Delegating necessary authority to the Managing Director in order for him to play a major role as the link between the Board and Senior Management in implementing the Board's expectation of effective system of internal control and managing the Group's various operations;
- Maintaining an organisational chart which sets out each individual's responsibility, authority and reporting lines.
- Keeping the Management informed on the development of action plan for enhancing system of internal control and allowing various management personnel to have access to important information for better decision-making;
- Making frequent on-site visits to the business and operations premises by Senior Management personnel so as to acquire a first hand view on various operational matters and addressing the issues accordingly;
- Monitoring key commercial, operational and financial risks through reviewing the system of internal control and other operational structures so as to ensure that reasonable assurance on the effectiveness and efficiency of the same will mitigate the various risks faced by the Group to an appropriate level acceptable to the Board; and
- Systematic and regular audit on the compliance of ISO 14001, ISO 9001 and TS 16949.

Statement on Internal Control (cont'd)

INTERNAL AUDIT FUNCTION

To ensure the system of internal control is functioning effectively, the Group has outsourced the internal audit function to an external consultant and the Board relies on their expertise to provide it with much assurance about the state of internal controls of the Group. The internal auditors report directly to the Audit Committee. During the course of carrying out their reviews, full cooperation and unrestricted access to all information was given in order to discharge their duties.

The fees paid to the internal auditors in respect of the internal audit functions of the Group for the financial year amounted to RM7,420.

The internal audit function adopts a risk-based approach in carrying out its internal audit works. Based on the risk profile of the Group, the internal audit function prepares its audit plan by focusing on areas of high risk.

During the financial year, the internal auditors carried out reviews on the following areas to assess the adequacy and effectiveness of internal controls:

- Sales
- Accounts receivable and credit control
- Inventory
- Purchasing
- Accounts payable

The internal auditors have identified some weaknesses in the internal control and these together with improvement recommendations have been reported to the Audit Committee. However, none of the weaknesses have resulted in material losses, contingencies or uncertainties to the Group.

Overall, the Board and Management are satisfied that the process of identifying, evaluating and managing significant risks that may affect achievement of the Group's business objectives are in place. There are on-going efforts to strengthen the internal control environment taking into consideration the recommendations from the internal auditors.

This statement is guided by the "Statement on Internal Control - Guidance for Directors of Public Listed Companies" and in accordance with the resolution of the Board dated 19 April 2012. This Statement on Internal Control has been reviewed by External Auditors.

FORMATION

The Audit Committee (the "Committee") was formed by the Board of Directors on 14 April 2006.

MEMBERS

The Committee currently consists of the following members: -

1. Loh Chye Teik - Chairman
(Senior Independent Non-Executive Director)
2. Teoh Yee Shien - Member
(Independent Non-Executive Director)
3. Dato' Dr. Loh Hock Hun - Member
(Independent Non-Executive Director)

MEETINGS AND ATTENDANCE

During the financial year under review, the Committee held four (4) meetings with all the members of the Committee attendance as follows: -

Name of Committee Members	Number of Meetings Attended	Percentage of Attendance
Loh Chye Teik	4/4	100%
Teoh Yee Shien	4/4	100%
Dato' Dr. Loh Hock Hun	4/4	100%

The Audit Committee meetings were attended by the Committee members and Senior Management. The Company Secretary acted as Secretary at the meetings to record and maintains minutes for the proceedings of the meetings.

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are as follows: -

1. MEMBERSHIP

The Board should establish an audit committee of at least three directors, a majority of whom must be independent Non-Executive Directors with written terms of reference which deal clearly with its authority and duties. All members of the Committee should be Non-Executive Directors of the Company and all members of the Committee should be financially literate. At least one member of the Committee:-

- must be member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years of working experience and
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedules of the Accountants Act, 1967; or
 - fulfills such other requirements as prescribed or approved by the Exchange.

The members of the Committee shall elect the Chairman from among their number who shall be an Independent Non-Executive Director. An alternate director shall not be a member of the Audit Committee.

If a Member of the Committee for any reason ceases to be a Member of the Committee with the result that the number of Member is reduced below (3), the Board shall within three (3) months of that event, appoint such number of new Member as may be required to make up the minimum number of three (3) Members.

Audit Committee Report (cont'd)

2. ATTENDANCE AT MEETINGS

The finance director, representatives of the Internal Auditor and representatives of the external auditors will be invited to some of the Audit Committee meetings. Other board members and employees may attend any particular audit committee meeting only at the Audit committee's invitation, specific to the relevant meeting. At least twice a year, the Committee shall meet with external auditors without the presence of the Executive Directors. The Company Secretary shall be the secretary of the Committee.

3. FREQUENCY AT MEETINGS

Meetings will be held not less than four times a year. Additional meetings may be held at the discretion of the Committee or at the request of external auditors. The external auditors may request a meeting if they consider that one is necessary. The quorum for any meeting shall be two and the majority members of the Committee present must be Independent Non-Executive Directors.

The Chairman of the Audit Committee should engage on a continuous basis with senior management, such as the Chairman, the chief executive officer, the finance director, the head of the internal audit and the external auditors in order to be kept informed of matters affecting the Company.

4. RETIREMENT AND RESIGNATION

In the event of any vacancy in an audit committee resulting from resignation or for any other reason that the number of the audit committee members is reduced to below three, a listed company must fill the vacancy within 3 months.

5. AUTHORITY

The Committee is authorised by the Board to investigate any activity within its terms of reference, the resources it needs to do so and full access to information pertaining to the Company. The Committee should have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity and be able to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. The Committee should be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the listed company, whenever deemed necessary. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

6. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee shall include:-

- a) to consider the appointment/nomination/suitability of the external auditors, their audit fees and any question of their resignation or dismissal and to recommend to the Board.
- b) to discuss with the external auditors before the audit commences, the nature and scope of their audit, their evaluation of the system of internal accounting controls and to ensure co-ordination where more than one audit firm is involved.
- c) to discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary).
- d) to keep under review the effectiveness of internal control system and, in particular, review external auditors' management letter and management's response.

6. DUTIES AND RESPONSIBILITIES (cont'd)

- e) to do the following, in relation to the internal audit function:-
- review the adequacy of the scope, functions, competency and resources of the internal audit functions, and to ensure that it has the necessary authority to carry out its work;
 - review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior members of the internal audit function; and
 - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- f) to review the quarterly results and year-end financial statements of the Company and the Group, prior to the approval by the Board, whilst ensuring that they are prepared in a timely and accurate manner, focusing particularly on:-
- public announcements of results and dividend payment;
 - any changes in or implementation of major accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going-concern assumption;
 - compliance with accounting standards;
 - compliance with Bursa Securities and legal requirements; and
 - significant and unusual events.
- g) to consider/review any related party transactions and conflict of interest situation that may arise within the Company or Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
- h) to consider the major findings of internal investigations and management's response and ensure co-ordination between the internal and external auditors.
- i) to review and verify the allocation of share options granted to employees pursuant to the Employees share option scheme, transactions, procedure or course of conduct that raises questions of management integrity.
- j) to review with the external auditor, his audit report.
- k) to review with the external auditor the assistance given by the employees of the Company.
- l) to review with the Board of Directors of the Company whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.
- m) to consider/carry out such other functions and consider other topics, as may be agreed upon by the Board.

7. REPORTING PROCEDURES

The Company Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

Audit Committee Report (cont'd)

SUMMARY OF ACTIVITIES

In discharging its functions and duties, during the financial year the Committee has considered, reviewed, approved and discussed the following:-

- the audited financial statements for the financial year ended 31 December 2010;
- the financial results for the quarters ended 31 December 2010, 31 March 2011, 30 June 2011 and 30 September 2011;
- the external audit plan with external auditors;
- audit reports prepared by the Internal Auditors, considered their material findings and assess the Management's responses and actions thereto;
- the nature and scope of audit plan for the financial year ended 31 December 2011 before the commencement of audit together with the External Auditors;
- the results and issues arising from External Auditors' audit on the financial year end statements and their resolutions of such issues highlighted in their report to the Committee together with the External Auditors; and
- related party transactions and report the same to the Board.

EMPLOYEES SHARE OPTION SCHEME

The Company had on 17 May 2006 and 15 June 2006 obtained approvals from the Securities Commission and the shareholders respectively to establish an Employee Share Option Scheme ("ESOS") with duration of five years from 1 August 2006. The Board had extended the ESOS for another five years until 31 July 2016.

During the financial year, no allocation of share options was made by the Company pursuant to the ESOS and no share options were exercised under the ESOS.

Further details on the ESOS are set out on page 24 and 55 of this Annual Report.

INTERNAL AUDIT FUNCTION

The Group has appointed an independent professional firm to carry out internal audit function. In order to act independently from the management, the external consultant will report directly to the Audit Committee and assists the Board in monitoring and reviewing the effectiveness of the risk management, internal control and corporate governance process within the Group.

The independent internal audit function and activities were carried out according to the internal audit plan presented by the external consultant and approved by Audit Committee. The internal audit plan is derived based on a risk-based assessment of all units and operations of the Group. The internal audit reports highlight any deficiencies or findings which are discussed with the management and relevant action plans agreed and to be implemented. Significant findings are presented in the Audit Committee Meetings for consideration and reporting to the Board. A follow-up audit review is also conducted to determine whether all audit recommendations are effectively implemented.

Further details on the internal audit function and its activities are set out in the Statement on Internal Control on pages 15 to 16 of this Annual Report.

The Board is of the view that there is no significant breakdown or weaknesses in the systems of internal controls of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2011.

Statement of Directors' Responsibility in Relation to the Audited Financial Statements

This statement is prepared pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The Directors are required to prepare audited financial statements that give a true and fair view of the state of affairs, including the cash flow and results, of the Group and the Company as at the end of each financial year.

In preparing these financial statements, the Directors have considered the following:-

- The Group and the Company have used appropriate accounting policies, and are consistently applied;
- That reasonable and prudent judgements and estimates were made; and
- That the approved accounting standards in Malaysia have been applied.

The Directors are responsible for ensuring that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

This statement is made in accordance with the resolution passed by the Board Of Directors dated 19 April 2012.

Additional Compliance Information

Share Buyback

There were no share buyback of the Company's shares during the financial year.

Options Or Convertible Securities

There were no options or convertible securities exercised during the financial year as the Company has not issued any options or convertible securities.

American Depository Receipts ("ADR") And Global Depository Receipts ("GDR")

The Company did not sponsor any ADR and GDR during the financial year.

Imposition Of Sanctions And/Or Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year under review.

Non-audit Fees Paid to External Auditors

During the financial year ended 31 December 2011, no non-audit fees were paid to the external auditors other than the taxation fees amounting to RM9,858 paid to a company in which certain partners of the audit firm are shareholders and directors.

Profit Estimate, Forecast Or Projection

The Company did not issue or announce any profit estimate, forecast or projection to the public for the financial year.

Profit Guarantee

During the financial year, the Company did not receive any profit guarantee from any parties.

Material Contracts Or Loans

There were no material contracts or loans entered into by the Company and its subsidiaries involving Directors' and major shareholders either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

Recurrent Related Party Transactions of a Revenue Or Trading Nature

The Company does not have any recurrent related party transactions of a revenue or trading nature during the financial year.

Variation In Result

There were no material variations between the audited results for the financial year ended 31 December 2011 over the unaudited results released for the financial quarter ended 31 December 2011.

Utilisation of Proceeds

During the financial year, there were no proceed raised by the Company from any corporate exercise.

Financial Statements

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Directors' Report

For the Financial Year Ended 31 December 2011

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended **31 December 2011**.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are shown in Note 4 to the financial statements.

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

RESULTS

	GROUP RM	COMPANY RM
Profit/(Loss) after taxation for the year	<u>1,851,404</u>	<u>(148,314)</u>

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 December 2011** have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIVIDENDS

No dividend has been declared by the Company since the end of the previous financial year.

The directors do not recommend any dividend payment for the financial year.

RESERVES AND PROVISIONS

There are no material transfers to or from reserves or provisions during the financial year.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture and did not grant any option to anyone to take up unissued shares of the Company.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company's ESOS was approved by the Securities Commission ("SC") and the members on 17 May 2006 and 15 June 2006 respectively and would be in force for a duration of five years from 1 August 2006 until 31 July 2011. The directors have extended the ESOS for five years until 31 July 2016.

As at the end of the reporting period, no options were granted.

The salient features of the ESOS are disclosed in the notes to the financial statements.

Directors' Report (cont'd)

For the Financial Year Ended 31 December 2011

DIRECTORS

The directors who served since the date of the last report are as follows :

Dato' Tan King Seng
Ooi Yeok Hock
Tan Chin Hong
Cheah Choon Ghee
Loh Chye Teik
Teoh Yee Shien
Dato' Dr. Loh Hock Hun

DIRECTORS' INTERESTS IN SHARES

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 are as follows :

-- Number of ordinary shares of RM0.10 each --

	Balance at 1.1.11	Bought	Sold	Balance at 31.12.11
The Company				
Direct interest :				
Dato' Tan King Seng	42,707,379	-	-	42,707,379
Ooi Yeok Hock	4,858,938	2,923,600	(2,260,000)	5,522,538
Tan Chin Hong	3,105,496	-	-	3,105,496
Cheah Choon Ghee	3,207,500	-	-	3,207,500
Deemed interest :				
Dato' Tan King Seng	33,589,358	-	(30,445,863)	3,143,495
Cheah Choon Ghee	-	30,445,863	-	30,445,863
Ooi Yeok Hock	1,500,000	-	(1,500,000)	-

By virtue of his shareholdings in the shares of the Company, **Dato' Tan King Seng** and **Mr. Cheah Choon Ghee** are also deemed interested in all the subsidiaries, to the extent that it has interests.

DIRECTORS' BENEFITS

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

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Report (cont'd)

For the Financial Year Ended 31 December 2011

OTHER STATUTORY INFORMATION

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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts, and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances :

- (i) that would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the Group and of the Company inadequate to any substantial extent, and
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, and
- (iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, and
- (iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

At the date of this report, there does not exist :

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, and
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

AUDITORS

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors :

Dato' Tan King Seng

Ooi Yeok Hock

Penang,

Date : 19 April 2012

Directors' Statement

We, **Dato' Tan King Seng** and **Ooi Yeok Hock**, being two of the directors of **JHM Consolidation Berhad** state that in the opinion of the directors, the financial statements set out on pages 30 to 71 are 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 **31 December 2011** and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the directors :

Dato' Tan King Seng

Ooi Yeok Hock

Date : 19 April 2012

Statutory Declaration

I, Lim Kah Hoon, the officer primarily responsible for the financial management of JHM Consolidation Berhad do solemnly and sincerely declare that the financial statements set out on pages 30 to 71 are to the best of my knowledge and belief, 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 at Penang, this)
day of 19 April 2012)

Lim Kah Hoon

Before me,

Goh Suan Bee
No.: P125
Commissioner for Oaths

Independent Auditors' Report to the Members of JHM Consolidation Berhad

Company No. 686148-A (Incorporated In Malaysia)

Report on the Financial Statements

We have audited the financial statements of **JHM Consolidation Berhad**, which comprise the statements of financial position as at **31 December 2011** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 71.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

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 of the financial statements that give a true and fair view 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 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.

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 **31 December 2011** and of their financial performance and cash flows for the financial 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 have been properly kept in accordance with the provisions of the Act,
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, and
- (c) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report to the Members of JHM Consolidation Berhad (cont'd)

Company No. 686148-A (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.

Other Reporting Responsibilities

The supplementary information set out in Note 27 on page 72 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Grant Thornton
No. AF : 0042
Chartered Accountants

Hooi Kok Mun
No. 2207/01/14 (J)
Chartered Accountant

Date : 19 April 2012
Penang

Statements of Financial Position

As At 31 December 2011

	NOTE	GROUP		COMPANY	
		2011 RM	2010 RM	2011 RM	2010 RM
ASSETS					
Non-current assets					
Property, plant and equipment	3	17,066,973	17,653,857	1,343	1,518
Investment in subsidiaries	4	-	-	6,085,998	6,085,998
Development costs	5	246,627	740,795	-	-
		17,313,600	18,394,652	6,087,341	6,087,516
Current assets					
Inventories	6	7,081,946	7,969,949	-	-
Trade receivables	7	13,962,346	9,614,422	-	-
Other receivables, deposits and prepayments		560,984	608,087	1,000	1,000
Amount due from a subsidiary	8	-	-	8,921,375	9,061,375
Tax recoverable		410,115	146,777	44,151	44,151
Cash and cash equivalents	9	286,844	1,370,020	21,924	21,938
		22,302,235	19,709,255	8,988,450	9,128,464
TOTAL ASSETS		39,615,835	38,103,907	15,075,791	15,215,980
EQUITY AND LIABILITIES					
Share capital	10	12,300,000	12,300,000	12,300,000	12,300,000
Share premium	11	2,953,447	2,953,447	2,953,447	2,953,447
Retained profits/(Accumulated losses)		11,208,768	9,357,364	(204,781)	(56,467)
Total equity		26,462,215	24,610,811	15,048,666	15,196,980
Non-current liabilities					
Finance lease liabilities	12	309,480	493,031	-	-
Deferred tax liabilities	13	-	155,500	-	-
		309,480	648,531	-	-
Current liabilities					
Trade payables	14	9,476,679	8,570,311	-	-
Other payables and accruals	15	3,045,524	3,698,986	27,125	19,000
Finance lease liabilities	12	321,937	575,268	-	-
		12,844,140	12,844,565	27,125	19,000
Total liabilities		13,153,620	13,493,096	27,125	19,000
TOTAL EQUITY AND LIABILITIES		39,615,835	38,103,907	15,075,791	15,215,980

The notes set out on pages 36 to 71 form an integral part of these financial statements.

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2011

	NOTE	GROUP		COMPANY	
		2011 RM	2010 RM	2011 RM	2010 RM
Revenue	16	64,603,595	49,243,202	65	870
Cost of sales		(58,206,029)	(45,964,356)	-	-
Gross profit		6,397,566	3,278,846	65	870
Other income		355,123	3,731,336	-	-
Administrative expenses		(5,037,547)	(4,401,279)	(148,379)	(144,877)
Operating profit/(loss)		1,715,142	2,608,903	(148,314)	(144,007)
Finance cost		(41,795)	(82,959)	-	-
Profit/(Loss) before taxation	17	1,673,347	2,525,944	(148,314)	(144,007)
Taxation	18	178,057	(529,550)	-	-
Profit/(Loss) for the year, representing total comprehensive income/(loss) for the year		1,851,404	1,996,394	(148,314)	(144,007)
Earnings per share (sen)	19	1.51	1.62		

The notes set out on pages 36 to 71 form an integral part of these financial statements.

Consolidated Statement of Changes In Equity

For the Financial Year Ended 31 December 2011

	Share Capital RM	Non- distributable Share Premium RM	Distributable Retained Profits RM	Total Equity RM
2011				
Balance at beginning	12,300,000	2,953,447	9,357,364	24,610,811
Total comprehensive income for the year	-	-	1,851,404	1,851,404
Balance at end	<u>12,300,000</u>	<u>2,953,447</u>	<u>11,208,768</u>	<u>26,462,215</u>
2010				
Balance at beginning	12,300,000	2,953,447	7,360,970	22,614,417
Total comprehensive income for the year	-	-	1,996,394	1,996,394
Balance at end	<u>12,300,000</u>	<u>2,953,447</u>	<u>9,357,364</u>	<u>24,610,811</u>

The notes set out on pages 36 to 71 form an integral part of these financial statements.

Statement of Changes In Equity

For the Financial Year Ended 31 December 2011

	Share Capital RM	Non- distributable Share Premium RM	(Accumulated Losses)/ Retained Profits RM	Total Equity RM
2011				
Balance at beginning	12,300,000	2,953,447	(56,467)	15,196,980
Total comprehensive loss for the year	-	-	(148,314)	(148,314)
Balance at end	<u>12,300,000</u>	<u>2,953,447</u>	<u>(204,781)</u>	<u>15,048,666</u>
2010				
Balance at beginning	12,300,000	2,953,447	87,540	15,340,987
Total comprehensive loss for the year	-	-	(144,007)	(144,007)
Balance at end	<u>12,300,000</u>	<u>2,953,447</u>	<u>(56,467)</u>	<u>15,196,980</u>

The notes set out on pages 36 to 71 form an integral part of these financial statements.

Statements of Cash Flows

For the Financial Year Ended 31 December 2011

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	1,673,347	2,525,944	(148,314)	(144,007)
Adjustments for :				
Amortisation of development costs	370,529	406,207	-	-
Depreciation	3,221,239	3,206,379	175	58
Development costs written off	145,573	-	-	-
Gain on disposal of property, plant and equipment	(115,331)	(5,176)	-	-
Impairment loss on trade receivables	573,187	-	-	-
Interest expense	41,795	82,959	-	-
Interest income	(282)	(1,002)	(65)	(870)
Inventories written down	-	147,528	-	-
Property, plant and equipment written off	3	-	-	-
Unrealised gain on foreign exchange	(115,946)	(17,508)	-	-
Operating profit/(loss) before working capital changes	5,794,114	6,345,331	(148,204)	(144,819)
Decrease/(Increase) in inventories	888,003	(2,929,408)	-	-
Increase in receivables	(4,706,414)	(442,879)	-	-
Increase in payables	201,258	1,961,450	8,125	-
Cash generated from/(used in) operations	2,176,961	4,934,494	(140,079)	(144,819)
Income tax paid	(240,781)	(34,375)	-	-
Income tax refund	-	221,992	-	-
Interest paid	(41,795)	(82,959)	-	-
Interest received	-	-	65	870
Net cash from/(used in) operating activities	1,894,385	5,039,152	(140,014)	(143,949)
CASH FLOWS FROM INVESTING ACTIVITIES				
Development costs	(21,934)	(86,988)	-	-
Interest received	282	1,002	-	-
Proceeds from disposal of property, plant and equipment	118,000	8,530	-	-
* Purchase of property, plant and equipment	(2,480,027)	(3,896,784)	-	-
Net cash used in investing activities	(2,383,679)	(3,974,240)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Net change in subsidiaries' balances	-	-	140,000	(210,000)
Payment of finance lease	(593,882)	(1,252,205)	-	-
Net cash (used in)/from financing activities	(593,882)	(1,252,205)	140,000	(210,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS CARRIED FORWARD	(1,083,176)	(187,293)	(14)	(353,949)

The notes set out on pages 36 to 71 form an integral part of these financial statements.

Statements of Cash Flows (cont'd)

For the Financial Year Ended 31 December 2011

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
NET DECREASE IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD	(1,083,176)	(187,293)	(14)	(353,949)
CASH AND CASH EQUIVALENTS AT BEGINNING	1,370,020	1,557,313	21,938	375,887
CASH AND CASH EQUIVALENTS AT END	286,844	1,370,020	21,924	21,938
Represented by :				
Short term funds with a licensed financial institution	2,363	2,298	2,363	2,298
Cash and bank balances	284,481	1,367,722	19,561	19,640
	286,844	1,370,020	21,924	21,938
* Purchase of property, plant and equipment				
Total acquisition cost	2,637,027	3,991,784	-	-
Acquired under finance lease	(157,000)	(95,000)	-	-
Total cash acquisition	2,480,027	3,896,784	-	-

The notes set out on pages 36 to 71 form an integral part of these financial statements.

Notes to the Financial Statements

31 December 2011

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the ACE Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are shown in Note 4 to the financial statements. There have been no significant changes in the nature of these 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 19 April 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

2.1 Basis of Preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the accounting policies below and in accordance with applicable Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, the Group and the Company have adopted new and revised FRSs which are mandatory for the reporting period as described fully in Note 2.3.

The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.2.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements.

2.2.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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) Useful lives of depreciable assets

The depreciable costs of plant and equipment are allocated on the straight line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 2 to 50 years. 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 (cont'd)

2.2.2 Key sources of estimation uncertainty (cont'd)

(ii) Impairment of plant and equipment

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the plant and equipment does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

(iii) Net realisable values of inventories

The management reviews for damage, slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

(iv) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

2.3 Adoption of Revised FRSs, Amendments/Improvements to FRSs, IC Interpretations ("IC Int") and Amendments to IC Int

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial year except for the adoption of the following revised FRSs, amendments/improvements to FRSs, IC Int and amendments to IC Int that are mandatory for the current financial year :

Revised FRSs

FRS 1	First-time adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements

Amendments/Improvements to FRSs

FRS 1	Limited Exemption from Comparative FRS 7. Disclosure for First-time Adopters
FRS 2	Group Cash-settled Share-based Payment Transactions
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Improving Disclosures about Financial Instruments
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Presentation
FRS 134	Interim Financial Reporting
FRS 138	Intangible Assets
FRS 139	Financial Instruments : Recognition and Measurement

Notes to the Financial Statements (cont'd)

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Adoption of Revised FRSs, Amendments/Improvements to FRSs, IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

IC Int

IC Int 4	Determining Whether an Arrangement contains a Lease
IC Int 12	Services Concession Arrangements
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distributions of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers

Amendments to IC Int

IC Int 9	Reassessment of Embedded Derivatives
IC Int 13	Customer Loyalty Programmes

Initial application of the above standards, amendments and interpretations did not have any material impact on the financial statements of the Group and of the Company except for the following :

FRS 3 Business Combinations (Revised) and Amendments to FRS 127 Consolidated and Separate Financial Statements (Revised)

The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 January 2011. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with non-controlling interests.

2.4 Standards Issued But Not Yet Effective

New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards

To converge with International Financial Reporting Standards ("IFRSs") in 2012, the MASB had on 19 November 2011, issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), which are mandatory for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer ("Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRSs for an additional one year. Consequently, adoption of the MFRSs by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013. However, the Group and the Company do not qualify as Transitioning Entities and are therefore required to adopt the MFRSs for the financial period beginning on or after 1 January 2012.

Below are the lists of MFRSs and IC Int issued but not yet effective and have not been early adopted by the Group and by the Company :

MFRSs effective on 1 January 2012

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment

Notes to the Financial Statements (cont'd)

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Standards Issued But Not Yet Effective (cont'd)

MFRSs effective on 1 January 2012 (cont'd)

MFRS 3	Business Combinations
MFRS 4	Insurance Contracts
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 7	Financial Instruments : Disclosures
MFRS 8	Operating Segments
MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events After the Reporting Period
MFRS 111	Construction Contracts
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 117	Leases
MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 123	Borrowing Costs
MFRS 124	Related Party Disclosures
MFRS 126	Accounting and Reporting by Retirement Benefit Plans
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investments in Associates
MFRS 129	Financial Reporting in Hyperinflationary Economies
MFRS 131	Interests in Joint Ventures
MFRS 132	Financial Instruments : Presentation
MFRS 133	Earnings Per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instruments : Recognition and Measurement
MFRS 140	Investment Property
MFRS 141	Agriculture
IC Int 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Int 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Int 4	Determining whether an Arrangement contains a Lease
IC Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Int 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies
IC Int 9	Reassessment of Embedded Derivatives

Notes to the Financial Statements (cont'd)

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Standards Issued But Not Yet Effective (cont'd)

MFRSs effective on 1 January 2012 (cont'd)

IC Int 10	Interim Financial Reporting and Impairment
IC Int 12	Service Concession Arrangements
IC Int 13	Customer Loyalty Programmes
IC Int 14	MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Int 15	Agreements for the Construction of Real Estate
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distributions of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments
IC Int 107	Introduction of the Euro
IC Int 110	Government Assistance – No Specific Relation to Operating Activities
IC Int 112	Consolidation – Special Purpose Entities
IC Int 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
IC Int 115	Operating Leases – Incentives
IC Int 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
IC Int 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC Int 129	Service Concession Arrangements : Disclosures
IC Int 131	Revenue – Barter Transactions Involving Advertising Services
IC Int 132	Intangible Assets – Web Site Costs

Amendments to MFRSs effective on 1 March 2012

MFRS 7	Mandatory Effective Date of MFRS 9 and Transition Disclosures. Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7.
MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosures. Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7.

Amendments to MFRS effective on 1 July 2012

MFRS 101	Presentation of Financial Statements. Amendments in relation to Presentation of Items of Other Comprehensive Income.
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MFRSs effective after 1 January 2013

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine

Notes to the Financial Statements (cont'd)

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Standards Issued But Not Yet Effective (cont'd)

Amendments to MFRS effective on 1 January 2013

MFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS effective on 1 January 2014

MFRS 132 Offsetting Financial Assets and Financial Liabilities

MFRSs effective on 1 January 2015

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)

The Group and the Company have not selected which optional exemption from the retrospective application to be applied under MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards. As such, the Directors are unable to anticipate the effects of the adoption of the MFRS 1 and other relevant MFRSs and IC Int on the financial statements.

A number of new standards, amendments to standards and IC Int are effective for annual periods beginning after 1 January 2013. The Group and the Company do not expect the adoption of these new standards, amendments to standards and IC Int to have a significant effect on the financial statements of the Group and of the Company, except for the following :

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)

MFRS 9 replaces the parts of FRS 139 that relate to the classification and measurement of financial instruments. It addresses the classification, measurement and recognition of financial assets and financial liabilities with only two classification categories : fair value and amortised cost.

The Group and the Company expect changes to arise from the adoption of MFRS in terms of the classification and measurement of the financial assets. However, the extent of the impact has not been determined.

MFRS 10 Consolidated Financial Statements

MFRS 10 supersedes the requirements relating to consolidated financial statements in FRS 127 Consolidated and Separate Financial Statements and IC Int 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Notes to the Financial Statements (cont'd)

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Standards Issued But Not Yet Effective (cont'd)

MFRS 13 Fair Value Measurement

MFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced the disclosures about fair value measurements. The enhanced disclosure requirements are similar to those in MFRS 7 Financial Instruments : Disclosures, but apply to all assets and liabilities measured at fair value, not just financial ones.

MFRS 127 Separate Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

MFRS 127 now only deals with separate financial statements, whereby the consolidated financial statements have been included in the new MFRS 10. MFRS 128 includes investments in associates and investments in joint ventures, to be equity accounted following the issue of MFRS 11.

2.5 Subsidiaries and Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

Basis of Consolidation

The financial statements of the Group include the audited financial statements of the Company and its subsidiaries made up to the end of the financial year. The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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.

Change in accounting policy

The Group has changed its accounting policy on business combinations and accounting for non-controlling interest when it adopted the revised FRS 3 Business Combinations and FRS 127 Consolidated and Separate Financial Statements.

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2011. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Subsidiaries and Basis of Consolidation (cont'd)

Basis of Consolidation (cont'd)

Acquisition on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in the profit or loss.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity.

Accounting for changes in non-controlling interest

The Group treats all changes in its ownership in a subsidiary that do not result in a loss of control as equity transactions between the Group and the non-controlling interest. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted against Group reserves.

2.6 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated on the straight line method to write off the cost of each asset to its residual value over its estimated useful life, at the following annual rates :

Freehold office lot	2%
Plant and machinery	10% - 50%
Office equipment, furniture and fittings	10% - 20%
Electrical installation	10%
Renovation	10%
Motor vehicles	20%

Notes to the Financial Statements (cont'd)

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Property, Plant and Equipment (cont'd)

The residual value, useful life and depreciation method are reviewed at the end of each reporting period 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 property, plant and equipment.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

2.7 Research and Development Costs

All research costs are expensed as incurred. Expenditure incurred on projects to develop new products is capitalised as development costs and deferred only when the Group can demonstrate the technical feasibility of completing the 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. Development costs which do not meet these criteria are expensed as incurred.

Capitalised development costs comprise direct attributable costs incurred for development. Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation and any accumulated impairment losses. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products of five years from the commencement of the commercialisation of the products. The amortisation period and method are reviewed at the end of each reporting period to ensure that the expected useful lives of the assets are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of intangible assets.

2.8 Finance Lease

Finance leases which transfer to the lessee substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

2.9 Impairment of Non-Financial Assets

The Group and the Company assess at the end of reporting period whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) 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, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss except for assets that were previously revalued where the revaluation surplus was taken to other comprehensive income. In this case the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation surplus.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Impairment of Non-Financial Assets (cont'd)

An impairment loss for an asset 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 this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment of goodwill is not reversed in a subsequent period.

2.10 Financial Instruments

2.10.1 Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2.10.2 Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows :

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories : financial liabilities classified as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. The Group does not have any non-derivative financial liabilities designated at fair value through profit or loss.

Notes to the Financial Statements (cont'd)

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10.2 Financial instrument categories and subsequent measurement (cont'd)

(a) Financial liabilities at fair value through profit or loss (cont'd)

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost.

2.10.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2.10.4 Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to :

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2.10.5 Derecognition

A financial asset or part of it is derecognised, when and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Impairment of Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default in receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.12 Cash and Cash Equivalents

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

2.13 Inventories

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

Cost of raw materials is determined on the first-in, first-out basis.

Cost of work-in-progress and finished goods includes materials, direct labour and attributable production overheads and is determined on the weighted average basis.

Cost of trading goods is determined on a first-in, first-out basis.

Net realisable value represents the estimated selling price less all estimated costs to completion and estimated costs to be incurred in marketing, selling and distribution.

Notes to the Financial Statements (cont'd)

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Provisions

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 the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2.15 Income Recognition

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income is recognised on the accrual basis.

2.16 Employee Benefits

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the years in which the associated services are rendered by employees of the Group. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred.

Share-based compensation

The Company Employee Share Option Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained profits.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

Notes to the Financial Statements (cont'd)

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 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 by the end of the reporting period.

Deferred tax is provided for, using the liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 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 end of the reporting period. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

2.18 Foreign Currency Translations

Assets and liabilities in foreign currencies at the end of the reporting period are translated into Ringgit Malaysia at the rates of exchange approximately ruling on that date. Transactions in foreign currencies during the year have been translated into Ringgit Malaysia at the rates of exchange approximately ruling on the transaction dates. All exchange gains or losses are included in profit or loss.

2.19 Share Capital and Share Issuance Expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.20 Operating Segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the chief operating decision maker, which in this case are the Executive Directors of the Company, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.21 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

Notes to the Financial Statements (cont'd)

31 December 2011

3. PROPERTY, PLANT AND EQUIPMENT

GROUP 2011

	At cost				Balance at end RM
	Balance at beginning RM	Additions RM	Disposals RM	Written off RM	
Freehold office lot	437,389	-	-	-	437,389
Plant and machinery	25,463,799	1,508,333	(1,409,865)	-	25,562,267
Office equipment, furniture and fittings	1,315,817	346,811	-	(2,725)	1,659,903
Electrical installation	430,692	120,178	-	-	550,870
Renovation	1,999,735	457,280	-	-	2,457,015
Motor vehicles	1,780,847	204,425	-	-	1,985,272
	31,428,279	2,637,027	(1,409,865)	(2,725)	32,652,716
	----- Accumulated depreciation -----				
	Balance at beginning RM	Current charge RM	Disposals RM	Written off RM	Balance at end RM
Freehold office lot	36,449	8,747	-	-	45,196
Plant and machinery	10,758,021	2,503,025	(1,407,196)	-	11,853,850
Office equipment, furniture and fittings	764,642	138,627	-	(2,722)	900,547
Electrical installation	203,598	42,531	-	-	246,129
Renovation	986,186	193,088	-	-	1,179,274
Motor vehicles	1,025,526	335,221	-	-	1,360,747
	13,774,422	3,221,239	(1,407,196)	(2,722)	15,585,743
					Carrying amount at end RM
Freehold office lot					392,193
Plant and machinery					13,708,417
Office equipment, furniture and fittings					759,356
Electrical installation					304,741
Renovation					1,277,741
Motor vehicles					624,525
					17,066,973

Notes to the Financial Statements (cont'd)

31 December 2011

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

2010

	----- At cost -----			Balance at end RM
	Balance at beginning RM	Additions RM	Disposals RM	
Freehold office lot	437,389	-	-	437,389
Plant and machinery	21,870,312	3,593,487	-	25,463,799
Office equipment, furniture and fittings	1,169,701	149,646	(3,530)	1,315,817
Electrical installation	414,542	16,150	-	430,692
Renovation	1,911,734	88,001	-	1,999,735
Motor vehicles	1,680,347	144,500	(44,000)	1,780,847
	<u>27,484,025</u>	<u>3,991,784</u>	<u>(47,530)</u>	<u>31,428,279</u>
	----- Accumulated depreciation -----			Balance at end RM
	Balance at beginning RM	Current charge RM	Disposals RM	
Freehold office lot	27,701	8,748	-	36,449
Plant and machinery	8,253,424	2,504,597	-	10,758,021
Office equipment, furniture and fittings	631,546	133,273	(177)	764,642
Electrical installation	163,588	40,010	-	203,598
Renovation	796,886	189,300	-	986,186
Motor vehicles	739,074	330,451	(43,999)	1,025,526
	<u>10,612,219</u>	<u>3,206,379</u>	<u>(44,176)</u>	<u>13,774,422</u>
				Carrying amount at end RM
Freehold office lot				400,940
Plant and machinery				14,705,778
Office equipment, furniture and fittings				551,175
Electrical installation				227,094
Renovation				1,013,549
Motor vehicles				755,321
				<u>17,653,857</u>

Notes to the Financial Statements (cont'd)

31 December 2011

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

GROUP

The carrying amount of property, plant and equipment being acquired under finance lease are as follows :

	2011	2010
	RM	RM
Plant and machinery	1,071,442	1,242,451
Motor vehicles	563,818	718,366
	<u>1,635,260</u>	<u>1,960,817</u>

Leased assets are pledged as security for the related finance lease liabilities (Note 12).

COMPANY

	Office equipment, furniture and fittings	
	2011	2010
	RM	RM
At cost		
Balance at beginning/end	<u>1,750</u>	<u>1,750</u>
Accumulated depreciation		
Balance at beginning	232	174
Current charge	<u>175</u>	<u>58</u>
Balance at end	<u>407</u>	<u>232</u>
Carrying amount	<u>1,343</u>	<u>1,518</u>

4. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2011	2010
	RM	RM
Unquoted shares, at cost	<u>6,085,998</u>	<u>6,085,998</u>

Notes to the Financial Statements (cont'd)

31 December 2011

4. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries which were all incorporated in Malaysia, are as follows :

Name of Company	Effective Equity Interest		Principal Activities
	2011	2010	
Morrissey Technology Sdn. Bhd.	100%	100%	Design and manufacturing of precision miniature engineering metal parts and components.
Jingheng Electronic Precision Technology Sdn. Bhd.	100%	100%	Original design manufacturing of semiconductor light emitting diodes components and the related manufacturing activities are outsourced to reliable and reputable third parties.

5. DEVELOPMENT COSTS

	GROUP	
	2011 RM	2010 RM
Development costs		
Balance at beginning	2,047,032	1,960,044
Additions	21,934	86,988
Written off	(145,573)	-
Balance at end	1,923,393	2,047,032
Accumulated amortisation		
Balance at beginning	1,306,237	900,030
Current charge	370,529	406,207
Balance at end	(1,676,766)	(1,306,237)
Carrying amount	246,627	740,795

6. INVENTORIES

	GROUP	
	2011 RM	2010 RM
At cost :		
Raw materials	1,642,556	1,376,503
Work-in-progress	1,089,140	903,256
Finished goods	2,671,577	3,944,336
Consumables	1,678,673	1,541,318
At net realisable value :		
Finished goods	-	204,536
	7,081,946	7,969,949

Notes to the Financial Statements (cont'd)

31 December 2011

6. INVENTORIES (cont'd)

The cost of inventories recognised in profit or loss for the financial year amounted to **RM58,206,029** (2010 : RM45,964,356).

7. TRADE RECEIVABLES

	GROUP	
	2011	2010
	RM	RM
Trade receivables	14,535,533	9,614,422
Less : Accumulated impairment loss	(573,187)	-
	13,962,346	9,614,422
Analysis by currencies :		
Ringgit Malaysia	9,346,593	4,398,541
US Dollar	4,615,753	5,215,881
	13,962,346	9,614,422

The trade receivables are non-interest bearing and are generally on 30 to 90 days (2010 : **30 to 90 days**) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

8. AMOUNT DUE FROM A SUBSIDIARY

COMPANY

The amount due from a subsidiary is non-trade related, unsecured, non-interest bearing and is repayable on demand.

9. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Short term funds with a licensed financial institution	2,363	2,298	2,363	2,298
Cash and bank balances	284,481	1,367,722	19,561	19,640
	286,844	1,370,020	21,924	21,938
Analysis by currencies :				
Ringgit Malaysia	272,425	943,512	21,924	21,938
US Dollar	13,401	424,949	-	-
Others	1,018	1,559	-	-
	286,844	1,370,020	21,924	21,938

Short term funds represent investments with redeemable period of **less than 31 days** (2010 : less than 31 days). The effective interest rate of short term funds at the end of the reporting period is **3.12%** (2010 : 3.00%) per annum.

Notes to the Financial Statements (cont'd)

31 December 2011

10. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		Amount	
	2011	2010	2011 RM	2010 RM
Authorised	250,000,000	250,000,000	25,000,000	25,000,000
Issued and fully paid	123,000,000	123,000,000	12,300,000	12,300,000

Employee Share Option Scheme ("ESOS")

The Company's ESOS was approved by the Securities Commission ("SC") and the members on 17 May 2006 and 15 June 2006 respectively and would be in force for a duration of five years from 1 August 2006 until 31 July 2011. The directors have extended the ESOS for five years until 31 July 2016.

As at the end of the reporting period, no options were granted.

The salient features of the ESOS are as follows :

- (i) the aggregate number of options offered under the ESOS shall not exceed twenty per centum (20%) of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS or such additional number that may be permitted by the relevant authorities during the duration of the ESOS,
- (ii) an employee (including Executive Directors) shall be eligible to participate in the ESOS if the employee is at least eighteen (18) years of age on the date of offer; employed full time by and on the payroll of any company in the Group and must have been employed for a continuous period of at least two (2) years for executive employee and at least three (3) years for non-executive employee and his employment must have been confirmed on the date of offer,
- (iii) not more than fifty per centum (50%) of the shares available under the ESOS should be allocated, in aggregate, to directors and senior management of the Group. In addition, not more than ten per centum (10%) of the shares available under the ESOS should be allocated to any individual director or employee who, either singly or collectively through his/her associates, holds twenty per centum (20%) or more in the issued and paid-up share capital of the Company,
- (iv) the price at which the grantee is entitled to subscribe for each new share shall be the higher of a price which is at a discount of not more than ten per centum (10%) from the weighted average market price of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer and the par value of the shares, or such adjustments in accordance with any prevailing guidelines issued by the Securities Commission or any other relevant authorities as amended from time to time,
- (v) the new shares to be issued and allotted upon any exercise of the option will upon allotment and issuance rank pari passu in all respect with the then existing issued shares except that the shares so issued will not be entitled for any dividend, rights, allotments or other distribution declared, made or paid to shareholders unless the shares so allotted have been credited into the relevant securities accounts maintained by the Bursa Malaysia Depository Sdn. Bhd. before the entitlement date and will be subject to all the provisions of the Articles of Association of the Company relating to the transfer, transmission and otherwise, and
- (vi) the ESOS shall come into force for a period of five (5) years from the date of confirmation by the adviser of the Company to the Securities Commission. The Company may, if the Board of Directors and the ESOS Committee deem fit, extend the ESOS for another five (5) years.

Notes to the Financial Statements (cont'd)

31 December 2011

11. SHARE PREMIUM

	GROUP AND COMPANY	
	2011	2010
	RM	RM
Balance at beginning/end	<u>2,953,447</u>	<u>2,953,447</u>

12. FINANCE LEASE LIABILITIES

	GROUP	
	2011	2010
	RM	RM
Non-current liabilities		
Minimum payments :		
Within one year	344,916	611,411
Later than one year but not later than two years	217,774	309,432
Later than two years but not later than five years	105,336	204,840
	<u>668,026</u>	1,125,683
Future finance charges	(36,609)	(57,384)
	<u>631,417</u>	1,068,299
Carrying amount at end	(321,937)	(575,268)
Amount due within one year under current liabilities	<u>309,480</u>	493,031
	<u>321,937</u>	575,268
Current liabilities		

A summary of the effective interest rates of finance lease as at the end of the reporting period is as follow :

	Average effective interest rate per annum (%)	Total RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM
2011					
Finance lease liabilities	2.23 to 4.92	631,417	321,937	209,126	100,354
2010					
Finance lease liabilities	2.23 to 4.00	1,068,299	575,268	292,676	200,355

Notes to the Financial Statements (cont'd)

31 December 2011

13. DEFERRED TAX LIABILITIES

	GROUP	
	2011 RM	2010 RM
Balance at beginning	155,500	217,000
Transfer to profit or loss	(175,500)	(60,900)
	(20,000)	156,100
Under/(Over) provision in prior year	20,000	(600)
Balance at end	-	155,500

The temporary differences on which deferred tax liabilities have been provided for are in respect of the excess of capital allowances over depreciation on property, plant and equipment.

14. TRADE PAYABLES

	GROUP	
	2011 RM	2010 RM
Analysis by currencies :		
Ringgit Malaysia	2,480,884	986,278
US Dollar	6,358,871	6,522,366
Singapore Dollar	18,302	776,651
Japanese Yen	618,622	285,016
	9,476,679	8,570,311

The trade payables' credit terms range from **30 to 90 days** (2010 : 30 to 90 days).

15. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Other payables	2,454,754	3,376,028	-	-
Accruals	590,770	322,958	27,125	19,000
	3,045,524	3,698,986	27,125	19,000
Analysis by currencies :				
Ringgit Malaysia	1,280,370	1,010,521	27,125	19,000
Swiss Franc	1,075,124	2,125,339	-	-
Singapore Dollar	690,030	478,688	-	-
US Dollar	-	66,379	-	-
Japanese Yen	-	18,059	-	-
	3,045,524	3,698,986	27,125	19,000

Notes to the Financial Statements (cont'd)

31 December 2011

16. REVENUE

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Invoiced value of goods sold less returns and discounts	64,603,530	49,242,332	-	-
Interest income	65	870	65	870
	64,603,595	49,243,202	65	870

17. PROFIT/(LOSS) BEFORE TAXATION

This is arrived at :

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
After charging :				
Amortisation of development costs	370,529	406,207	-	-
Audit fee - current year	38,000	30,000	15,000	10,000
- under provision in prior year	3,000	1,000	4,000	2,000
Depreciation	3,221,239	3,206,379	175	58
Development costs written off	145,573	-	-	-
Directors' allowance for non-executive directors	6,000	6,000	6,000	6,000
Directors' fee for non-executive directors	54,000	54,000	54,000	54,000
Impairment loss on trade receivables	573,187	-	-	-
Interest expense - finance lease	41,795	82,959	-	-
Inventories written down	-	147,528	-	-
Property, plant and equipment written off	3	-	-	-
Realised loss on foreign exchange	33,235	-	-	-
Rental of premises	361,360	286,920	-	-
Rental of machinery	3,790	3,800	-	-
* Staff costs	7,169,839	3,925,548	-	-
And crediting :				
Gain on disposal of property, plant and equipment	115,331	5,176	-	-
Interest income	282	1,002	65	870
Realised gain on foreign exchange	64,527	299,486	-	-
Unrealised gain on foreign exchange	115,946	17,508	-	-
* Staff costs				
- Salaries, allowance, bonus and wages	6,543,017	3,538,404	-	-
- EPF	557,195	346,459	-	-
- SOCSO	69,627	40,685	-	-
	7,169,839	3,925,548	-	-

Notes to the Financial Statements (cont'd)

31 December 2011

17. PROFIT/(LOSS) BEFORE TAXATION (cont'd)

Directors' emoluments

Included in the staff costs of the Group and of the Company are directors' emoluments as shown below :

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors of the Company				
Executive Directors :				
- Salary, allowance and bonus	458,675	334,513	-	-
- EPF	43,164	40,152	-	-
	501,839	374,665	-	-
Benefits-in-kind	34,500	34,500	-	-
	536,339	409,165	-	-

18. TAXATION

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Malaysian income tax :				
Based on results for the year				
- Current tax	-	(579,000)	-	-
- Deferred tax relating to the origination and reversal of temporary differences	175,500	60,900	-	-
	175,500	(518,100)	-	-
Over/(Under) provision in prior year				
- Current tax	22,557	(12,050)	-	-
- Deferred tax	(20,000)	600	-	-
	2,557	(11,450)	-	-
	178,057	(529,550)	-	-

Notes to the Financial Statements (cont'd)

31 December 2011

18. TAXATION (cont'd)

The reconciliation of tax expense of the Group and of the Company is as follows :

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit/(Loss) before taxation	1,673,347	2,525,944	(148,314)	(144,007)
Income tax at Malaysian statutory tax rate of 25%	(418,337)	(631,486)	37,079	36,002
Income not subject to tax	39,757	4,377	-	-
Expenses not deductible for tax purposes	(213,742)	(293,772)	(37,079)	(36,002)
Utilisation of previously unabsorbed capital allowances	740,275	463,726	-	-
Deferred tax movements not recognised	(152,881)	(682,071)	-	-
Current year reinvestment allowance	180,428	621,126	-	-
	175,500	(518,100)	-	-
Over/(Under) provision in prior year	2,557	(11,450)	-	-
	178,057	(529,550)	-	-

GROUP

The net deferred tax (assets)/liabilities which have not been recognised are represented by temporary differences arising from :

	2011 RM	2010 RM
Excess of capital allowances over depreciation of property, plant and equipment	2,298,983	1,812,049
Unabsorbed tax losses	(264,560)	-
Unabsorbed capital allowances	(194,827)	(740,275)
Unabsorbed reinvestment allowance	(2,490,506)	(2,310,078)
	(650,910)	(1,238,304)

The amount and future availability of unabsorbed tax losses, capital allowances and reinvestment allowance for which the related tax effects have not been accounted for at the end of the reporting period is estimated at **RM1,058,000** (2010 : RM Nil), **RM779,000** (2010 : RM2,961,000) and **RM9,962,000** (2010 : RM9,240,000) respectively.

Notes to the Financial Statements (cont'd)

31 December 2011

19. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year as follows :

	2011	2010
Profit for the year (RM)	<u>1,851,404</u>	1,996,394
Weighted average number of ordinary shares of RM0.10 each	<u>123,000,000</u>	123,000,000
Basic earnings per share (sen)	<u>1.51</u>	1.62

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the reporting period.

20. CAPITAL COMMITMENT

	GROUP	
	2011 RM	2010 RM
Authorised but not provided for : - Property, plant and equipment	<u>131,586</u>	50,800

21. CONTINGENT LIABILITIES (UNSECURED)

	COMPANY	
	2011 RM	2010 RM
Corporate guarantee extended to financial institutions for credit facilities granted to its subsidiaries - Limit	<u>800,000</u>	2,220,896
- Utilised as at the end of the reporting period	<u>258,425</u>	718,358

The corporate guarantees do not have a determinable effect on the terms of the credit facilities due to the financial institutions require parent guarantee as a pre-condition for approving the credit facilities granted to the subsidiaries. The actual terms of the credit facilities are likely to be the best indicator of "at market" terms and hence the fair value of the credit facilities are equal to the credit facilities amount received by the subsidiaries. As such, there is no value on the corporate guarantee to be recognised in the financial statements.

Notes to the Financial Statements (cont'd)

31 December 2011

22. RELATED PARTY DISCLOSURES

The remuneration of directors and other members of key management during the financial year is as follows :

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Salaries and other				
short-term employee benefits	1,030,982	801,331	60,000	60,000

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly.

23. OPERATING SEGMENT

Operating segment is presented in respect of the Group's business segments. The primary format and business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business Segments

The Group comprises the following main business segments :

- (i) Electronic products Manufacturing and assembling of component related to High Brightness Light Emitting Diode ('HB LED'), Direct Current ('DC') micromotor components, fine pitch connector pins and other electronic components and products.
- (ii) Investment holding Investment holding.

By business segments

2011

	Electronic products RM	Investment holding RM	Elimination RM	Note	Total RM
Revenue					
External customers/Total revenue	64,603,530	65	-	A	64,603,595
Results					
Segment results	1,863,239	(148,379)	-		1,714,860
Interest income	217	65	-		282
Interest expense	(41,795)	-	-		(41,795)
Profit/(Loss) before taxation	1,821,661	(148,314)	-		1,673,347
Taxation	178,057	-	-		178,057
Profit/(Loss) for the year, representing total comprehensive income/(loss) for the year	1,999,718	(148,314)	-		1,851,404

Notes to the Financial Statements (cont'd)

31 December 2011

23. OPERATING SEGMENT (cont'd)

	Electronic products RM	Investment holding RM	Elimination RM	Note	Total RM
Assets					
Segment assets	39,466,533	15,009,716	(15,557,373)		38,918,876
Tax recoverable	365,964	44,151	-		410,115
Cash and cash equivalents	264,920	21,924	-		286,844
Total assets	40,097,417	15,075,791	(15,557,373)		39,615,835
Liabilities					
Segment liabilities	21,966,453	27,125	(9,471,375)		12,522,203
Finance lease liabilities	631,417	-	-		631,417
Total liabilities	22,597,870	27,125	(9,471,375)		13,153,620
Other segment information					
Capital expenditure	2,658,961	-	-	B	2,658,961
Depreciation and amortisation	3,591,593	175	-		3,591,768
Non-cash expense other than depreciation and amortisation	487,486	-	-	C	487,486
2010					
	Electronic products RM	Investment holding RM	Elimination RM	Note	Total RM
Revenue					
External customers/Total revenue	49,242,332	870	-	A	49,243,202
Results					
Segment results	2,752,778	(144,877)	-		2,607,901
Interest income	132	870	-		1,002
Interest expense	(82,959)	-	-		(82,959)
Profit/(Loss) before taxation	2,669,951	(144,007)	-		2,525,944
Taxation	(529,550)	-	-		(529,550)
Profit/(Loss) for the year, representing total comprehensive income/ (loss) for the year	2,140,401	(144,007)	-		1,996,394
Assets					
Segment assets	36,584,592	15,149,891	(15,147,373)		36,587,110
Tax recoverable	102,626	44,151	-		146,777
Cash and cash equivalents	1,348,082	21,938	-		1,370,020
Total assets	38,035,300	15,215,980	(15,147,373)		38,103,907

Notes to the Financial Statements (cont'd)

31 December 2011

23. OPERATING SEGMENT (cont'd)

2010 (cont'd)

	Electronic products RM	Investment holding RM	Elimination RM	Note	Total RM
Liabilities					
Segment liabilities	21,311,672	19,000	(9,061,375)		12,269,297
Finance lease liabilities	1,068,299	-	-		1,068,299
Deferred tax liabilities	155,500	-	-		155,500
Total liabilities	<u>22,535,471</u>	<u>19,000</u>	<u>(9,061,375)</u>		<u>13,493,096</u>
Other segment information					
Capital expenditure	4,078,772	-	-	B	4,078,772
Depreciation and amortisation	3,612,528	58	-		3,612,586
Non-cash income other than depreciation and amortisation	(22,684)	-	-	C	(22,684)

Notes to segment information :

A Inter-segment revenue are eliminated on consolidation.

B Additions to non-current assets consist of :

	2011 RM	2010 RM
Property, plant and equipment	2,637,027	3,991,784
Development costs	21,934	86,988
	<u>2,658,961</u>	<u>4,078,772</u>

C Other material non-cash expenses/(income) consist of the following items as presented in Note 17 to the financial statements :

	2011 RM	2010 RM
Development costs written off	145,573	-
Gain on disposal of property, plant and equipment	(115,331)	(5,176)
Impairment loss on trade receivables	573,187	-
Property, plant and equipment written off	3	-
Unrealised gain on foreign exchange	(115,946)	(17,508)
	<u>487,486</u>	<u>(22,684)</u>

Notes to the Financial Statements (cont'd)

31 December 2011

23. OPERATING SEGMENT (cont'd)

Geographical Segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows :

	Revenue		Non-current assets	
	2011 RM	2010 RM	2011 RM	2010 RM
Malaysia	56,716,875	31,909,763	16,348,685	17,228,687
People's Republic of China	5,378,276	4,354,608	964,915	1,165,965
Thailand	(6,018)	10,393,866	-	-
United States of America	2,492,989	2,268,593	-	-
Singapore	21,473	316,372	-	-
	64,603,595	49,243,202	17,313,600	18,394,652

Information about major customers

Total revenue from major customers which individually contributed more than 10% of the Group revenue amounted to **RM64,545,212** (2010 : RM44,529,170).

24. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as loans and receivables ("L&R") and financial liabilities measured at amortised cost ("FL").

	Carrying amount RM	L&R RM	FL RM
2011			
GROUP			
Financial assets			
Trade receivables (Note 7)	13,962,346	13,962,346	-
Other receivables and deposits	462,875	462,875	-
Cash and cash equivalents (Note 9)	286,844	286,844	-
	14,712,065	14,712,065	-
Financial liabilities			
Finance lease liabilities (Note 12)	631,417	-	631,417
Trade payables (Note 14)	9,476,679	-	9,476,679
Other payables and accruals (Note 15)	3,045,524	-	3,045,524
	13,153,620	-	13,153,620

Notes to the Financial Statements (cont'd)

31 December 2011

24. CATEGORIES OF FINANCIAL INSTRUMENTS (cont'd)

	Carrying amount RM	L&R RM	FL RM
2010			
Financial assets			
Trade receivables (Note 7)	9,614,422	9,614,422	-
Other receivables and deposits	486,812	486,812	-
Cash and cash equivalents (Note 9)	1,370,020	1,370,020	-
	<u>11,471,254</u>	<u>11,471,254</u>	<u>-</u>
Financial liabilities			
Finance lease liabilities (Note 12)	1,068,299	-	1,068,299
Trade payables (Note 14)	8,570,311	-	8,570,311
Other payables and accruals (Note 15)	3,698,986	-	3,698,986
	<u>13,337,596</u>	<u>-</u>	<u>13,337,596</u>
2011			
COMPANY			
Financial assets			
Sundry deposit	1,000	1,000	-
Amount due from a subsidiary (Note 8)	8,921,375	8,921,375	-
Cash and cash equivalents (Note 9)	21,924	21,924	-
	<u>8,944,299</u>	<u>8,944,299</u>	<u>-</u>
Financial liabilities			
Accruals (Note 15)	<u>27,125</u>	<u>-</u>	<u>27,125</u>
2010			
Financial assets			
Sundry deposit	1,000	1,000	-
Amount due from a subsidiary (Note 8)	9,061,375	9,061,375	-
Cash and cash equivalents (Note 9)	21,938	21,938	-
	<u>9,084,313</u>	<u>9,084,313</u>	<u>-</u>
Financial liabilities			
Accruals (Note 15)	<u>19,000</u>	<u>-</u>	<u>19,000</u>

Notes to the Financial Statements (cont'd)

31 December 2011

25. FINANCIAL RISK MANAGEMENT

The Group and the Company are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative activities.

25.1 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises principally from its trade receivables while the Company's exposure to credit risk arises principally from advances and financial guarantees given to its subsidiaries.

25.1.1 Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group extends to customers credit terms ranging from 30 to 90 days. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. The Group subjects new customers to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of the financial position.

The ageing analysis of the Group's trade receivables as at the end of the reporting period are as follows :

	Gross RM	Impairment RM	Net RM
2011			
Not due	5,666,605	-	5,666,605
1 to 30 days past due	4,908,720	-	4,908,720
31 to 60 days past due	902,001	-	902,001
61 to 90 days past due	29,206	-	29,206
Past due more than 90 days	3,029,001	(573,187)	2,455,814
	8,868,928	(573,187)	8,295,741
Total trade receivables	14,535,533	(573,187)	13,962,346
2010			
Not past due	7,690,099	-	7,690,099
1 to 30 days past due	1,608,096	-	1,608,096
31 to 60 days past due	299,947	-	299,947
61 to 90 days past due	3,780	-	3,780
Past due more than 90 days	12,500	-	12,500
	1,924,323	-	1,924,323
Total trade receivables	9,614,422	-	9,614,422

Notes to the Financial Statements (cont'd)

31 December 2011

25. FINANCIAL RISK MANAGEMENT (cont'd)

Included in the past due account of **RM8,295,741** (2010 : RM1,924,323) is a major trade debtor who has opted to settle out-of-court with a subsidiary, the amount due of RM3,979,833, by issuing a current cheque of RM397,983.30 and nine (9) post dated cheques for RM397,983.30 each. As for the balance of the past due account, the management is of the view that these past due amounts will be collected in due course and therefore no impairment is required.

As at 31 December 2011, the Group has significant exposure of credit risk on three major customers which represent 87% of the total amount of trade receivables.

25.1.2 Intercompany balances

The Company provides advances to its subsidiary and monitors the results of the subsidiary regularly.

The maximum exposure to credit risk is represented by its carrying amount in the statement of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiary are not recoverable. The Company does not specifically monitor the ageing of the advances to its subsidiary.

25.1.3 Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of finance leases granted to its subsidiaries.

The Company monitors on an ongoing basis the results of the companies and repayments made by them.

The maximum exposure to credit risk is as disclosed in Note 12, representing the outstanding finance lease liabilities of the subsidiaries at the end of the reporting period.

As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

25.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

The table below summarises the maturity profile of the Group's financial liabilities as at the reporting date based on the undiscounted contractual payments :

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM
2011					
GROUP					
Finance lease liabilities	631,417	668,026	344,916	217,774	105,336
Trade and other payables	12,522,203	12,522,203	12,522,203	-	-
Total undiscounted financial liabilities	13,153,620	13,190,229	12,867,119	217,774	105,336

Notes to the Financial Statements (cont'd)

31 December 2011

25. FINANCIAL RISK MANAGEMENT (cont'd)

25.2 Liquidity risk (cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM
2010					
Finance lease liabilities	1,068,299	1,125,683	611,411	309,432	204,840
Trade and other payables	12,269,297	12,269,297	12,269,297	-	-
Total undiscounted financial liabilities	13,337,596	13,394,980	12,880,708	309,432	204,840

25.3 Interest rate risk

The exposure to interest rate risk is minimal as the Group has minimal bank borrowings.

The interest rate profile of the Group's interest-bearing financial instruments based on the carrying amount as at the end of the reporting period is as follows :

	GROUP	
	2011 RM	2010 RM
Fixed rate instruments		
Financial liabilities	631,417	1,068,299

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

25.4 Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the functional currency of the Group. The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. The currencies giving rise to this risk are primarily US Dollar ("USD"), Singapore Dollar ("SGD"), Japanese Yen ("JPY") and Swiss Franc ("CHF").

Notes to the Financial Statements (cont'd)

31 December 2011

25. FINANCIAL RISK MANAGEMENT (cont'd)

25.4 Foreign currency risk (cont'd)

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period is as follows :

	Denominated in				
	USD RM	SGD RM	JPY RM	CHF RM	Others RM
GROUP					
2011					
Trade receivables	4,615,753	-	-	-	-
Cash and bank balances	13,401	-	1,018	-	-
Trade payables	(6,358,871)	(18,302)	(618,622)	-	-
Other payables	-	(690,030)	-	(1,075,124)	-
Net exposure	(1,729,717)	(708,332)	(617,604)	(1,075,124)	-
2010					
Trade receivables	5,215,881	-	-	-	-
Cash and bank balances	424,949	-	1,324	-	235
Trade payables	(6,522,366)	(776,651)	(285,016)	-	-
Other payables	(66,379)	(478,688)	(18,059)	(2,125,339)	-
Net exposure	(947,915)	(1,255,339)	(301,751)	(2,125,339)	235

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies exchange rates (against Ringgit Malaysia), with all other variables held constant, of the Company's profit before taxation. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have increased profit before taxation by the amount shown below and a corresponding decrease would have an equal but opposite effect.

	2011 RM	2010 RM
USD	172,972	94,792
SGD	70,833	125,534
JPY	61,760	30,175
CHF	107,512	212,534
Others	-	(24)
Increase in Group's profit before taxation	413,077	463,011

Notes to the Financial Statements (cont'd)

31 December 2011

25. FINANCIAL RISK MANAGEMENT (cont'd)

25.5 Capital management

The primary objective of the Group's capital management policy is to maintain a strong capital base to support its businesses and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

GROUP AND COMPANY

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company as at the end of the reporting period approximate their fair values due to their short-term nature.

COMPANY

No disclosure of fair value is made for advances to its subsidiaries, as it is not practicable to determine its fair value with sufficient reliability since the balance is repayable on demand.

27. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

Bursa Malaysia Securities Berhad has, on 25 March 2010 and 20 December 2010, issued directives requiring all listed corporations to disclose the breakdown of retained profits or accumulated losses into realised and unrealised on group and company basis, as the case may be, in quarterly reports and annual audited financial statements.

The breakdown of retained profits/(accumulated losses) as at the end of the reporting period has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants are as follows :

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Total retained profits/(accumulated losses) the Company and its subsidiaries :				
- Realised	16,210,712	14,381,354	(204,781)	(56,467)
- Unrealised	(115,946)	(137,992)	-	-
	16,094,766	14,243,362	(204,781)	(56,467)
Less : Consolidation adjustments	(4,885,998)	(4,885,998)	-	-
	11,208,768	9,357,364	(204,781)	(56,467)

List Of Property

Title/Location	Date of Acquisition	Description	Built-up Area	Existing Use	Tenure	Approximate Age of Building	Net Carrying Amount as at 31/12/2011 RM
15-1-20 & 15-1-21, Bayan Point, Medan Kampung Relau, 11900 Penang	18.09.2006	Office Lot	2,132 sq. ft.	Sales and administration office	Freehold	13 years	392,193

Analysis of Shareholdings

As At 10 April 2012

Authorised Share Capital	: RM25,000,000.00
Issued and fully paid-up Share Capital	: RM12,300,000.00
Class of Shares	: Ordinary shares of RM0.10 each
Voting Rights	: On a show of hands, 1 vote
	: On a poll, 1 vote for 1 ordinary share

LIST OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

Name	Number of Shares Held			
	Direct	%	Deemed	%
Dato' Tan King Seng	42,707,379	34.721	3,143,495*	2.556
Noble Matters Sdn. Bhd.	30,445,863	24.753	-	-
Cheah Choon Ghee	3,207,500	2.608	30,445,863#	24.753
Ong Hock Seong	7,650	0.006	30,445,863#	24.753

Note :

* Deemed interested by virtue of his shareholdings of not less than 15% in First Share Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

Deemed interested by virtue of his shareholdings of not less than 15% in Noble Matters Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

DIRECTORS' SHAREHOLDINGS IN THE COMPANY

Name	Number of Shares Held			
	Direct	%	Deemed	%
Dato' Tan King Seng	42,707,379	34.721	3,143,495*	2.556
Ooi Yeok Hock	5,522,538	4.490	-	-
Tan Chin Hong	3,105,496	2.525	-	-
Loh Chye Teik	-	-	-	-
Teoh Yee Shien	-	-	-	-
Dato' Dr. Loh Hock Hun	-	-	-	-
Cheah Choon Ghee	3,207,500	2.608	30,445,863#	24.753

Note :

* Deemed interested by virtue of his shareholdings of not less than 15% in First Share Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

Deemed interested by virtue of his shareholdings of not less than 15% in Noble Matters Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	% of Shareholders	Number of Shares	% of Shares
Less than 100 shares	14	1.178	629	0.001
100 to 1,000 shares	640	53.872	129,150	0.105
1,001 to 10,000 shares	232	19.529	1,091,650	0.887
10,001 to 100,000 shares	227	19.108	8,495,700	6.907
100,001 to less than 5% of issued shares	73	6.145	40,129,629	32.626
5% and above of issued shares	2	0.168	73,153,242	59.474
Total	1,188	100.000	123,000,000	100.00

Analysis of Shareholdings (cont'd)

As At 10 April 2012

List of Thirty Largest Shareholders

	Name	Number of Shares Held	%
1	NOBLE MATTERS SDN.BHD.	19,910,034	16.187
2	TAN KING SENG	11,250,000	9.146
3	TAN KING SENG	11,250,000	9.146
4	TAN KING SENG	11,250,000	9.146
5	NOBLE MATTERS SDN.BHD.	10,535,829	8.566
6	TAN KING SENG	8,957,379	7.282
7	LIM LENG NA	3,311,800	2.693
8	CHEAH CHOON GHEE	3,207,500	2.608
9	TAN CHIN HONG	3,105,496	2.525
10	CIMB COMMERCE TRUSTEE BERHAD <i>EXEMPT AN FOR EPF INVESTMENT FOR MEMBER SAVINGS SCHEME</i>	2,910,400	2.366
11	LPI PRECISION INDUSTRY (M) SDN. BHD.	2,674,000	2.174
12	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR OOI YEOK HOCK (LPN)</i>	2,623,938	2.133
13	FIRST SHARE SDN BHD	1,660,100	1.350
14	FIRST SHARE SDN BHD	1,483,395	1.206
15	CHOI SIEW LIAN	1,192,700	0.970
16	TAN SHYAN CHERT	858,600	0.698
17	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>SAW KONG BENG</i>	797,700	0.649
18	TAN SHYAN CHERT	787,900	0.641
19	HLG NOMINEE (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TAN HWANG KIAT (CCTS)</i>	767,600	0.624
20	DAH HUEY SHUANG	610,800	0.497
21	TAN KIM SING	600,000	0.488
22	OOI ENG TEIK	540,200	0.439
23	CHUAH YEW PHAIK	518,200	0.421
24	CHEOK SWEE BENG	447,150	0.364
25	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TEH WING KEE</i>	443,200	0.360
26	LIM POH FONG	413,000	0.336
27	TAN HUA LEE	410,900	0.334
28	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR MURUGA VADIVALE</i>	405,000	0.329
29	OW HIANG KEE	378,000	0.307
30	LIM SAM CHIN	375,000	0.305

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of the Company will be held at Anggerik Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Monday, 28 May 2012 at 11.00 a.m for the following purposes:-

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of Directors' fees of RM72,000-00 for the financial year ending 31 December 2012.
3. To re-elect Mr Ooi Yeok Hock who retires in accordance with Article 129 of the Company's Articles of Association.
4. To re-elect Ms Teh Yee Shien who retires in accordance with Article 129 of the Company's Articles of Association.
5. To re-appoint Messrs. Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

Resolution 1

Resolution 2

Resolution 3

Resolution 4

AS SPECIAL BUSINESS :

6. To consider and if thought fit, to pass with or without modifications the following resolution :-

ORDINARY RESOLUTION

AUTHORITY TO ISSUE SHARES

"That subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time and upon such terms and conditions for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

Resolution 5

7. To transact any other business for which due notices shall have been given in accordance with the Companies Act, 1965.

By Order of the Board,

CHEE WAI HONG (MIA 17181)
FOO LI LING (MAICSA 7019557)
 Company Secretaries

Penang

Date : 4 May 2012

Notice of Annual General Meeting (cont'd)

Notes :

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-13-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
4. Where a member appoints two (2) proxies or more, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
6. Details of the Directors standing for re-election can be found in the Directors' profile on pages 5 to 6 of the Annual Report.

Explanatory Note on Ordinary Business

Resolution 1 – Payment of Directors' fees

Resolution 1 is to facilitate payment of Directors' fees on current financial year basis, calculated based on the number of scheduled Board and Committee meetings for 2012 and assuming that all Non-Executive Directors will hold office until the end of the financial year. In the event the Directors' fees proposed is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

Explanatory Note on Special Business

Resolution 5 – Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 5, if passed, primarily to renew the mandate to give authority to the Board of Directors to issue and allot shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being, at anytime in their absolute discretion without convening a general meeting. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

As at the date of this Notice, the Company has not issued any new shares pursuant to Section 132D of the Companies Act, 1965 under the general authority which was approved at the Sixth Annual General Meeting held on 30 May 2011 and which will lapse at the conclusion of the Seventh Annual General Meeting to be held on 28 May 2012. A renewal of this authority is being sought at the Seventh Annual General Meeting under proposed Resolution 5.

This authority if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, acquisition(s) and/or settlement of banking facility(ies).

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Rule 8.29(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming Annual General Meeting.

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PROXY FORM

*I / We _____ of _____
(Full Name in Block Letters)

_____ being a *Member / Members of JHM
(Full Address)

Consolidation Berhad, hereby appoint * the Chairman of the meeting or _____
(Full Name in Block Letters)

of _____
(Full Address)

or failing him/ her, _____ of _____
(Full Name in Block Letters)

_____ as *my / our proxy / proxies to
(Full Address)

attend and vote for *me/ us and on *my/ our behalf at the Seventh Annual General Meeting of the Company to be held at Anggerik Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Monday, 28 May 2012 at 11.00 a.m. and at every adjournment thereof to vote as indicated below :

AGENDA		
To receive the Audited Financial Statements for the year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon		
Resolutions	For	Against
1. Approval of payment of Directors' fees for the financial year ending 31 December 2012		
2. Re-election of Mr Ooi Yeok Hock as Director		
3. Re-election of Ms Teoh Yee Shien as Director		
4. Re-appointment of Messrs. Grant Thornton as Auditors and to authorise the Directors to fix the Auditors' remuneration		
5. Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares		

Please indicate with an "X" in the spaces provided above as to how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.

The proportion of *my/our holding to be represented by *my/our proxies are as follows:-

First named Proxy _____ %
Second named Proxy _____ %
_____ 100%

In the case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf.

No. of shares held

As witness my hand this _____ day of _____, 2012.

* Strike out whichever is not desired

Signature of Member (s)/ Common Seal

Notes :

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
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3. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
4. Where a member appoints two (2) proxies or more, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.



PLEASE FOLD ACROSS THE LINES AND CLOSE


Postage

THE COMPANY SECRETARIES

JHM CONSOLIDATION BERHAD (686148-A)

51-13-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Pulau Pinang

PLEASE FOLD ACROSS THE LINES AND CLOSE



15-1-21 Bayan Point,
Medan Kampung Relau,
11900 Penang.

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Website : <http://www.jhm.net.my>