

# ewein

**EWEIN BERHAD**

(COMPANY NO: 742890-W)

(INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT 1965)

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## **Board of Directors:**

### **Dato' Seri Ewe Tiong Hor**

(Non-Independent Non-Executive Chairman)

### **Dato' Ewe Swee Kheng**

(Managing Director)

### **Mr. Chuah Poh Lim**

(Deputy Managing Director)

### **Dato' Abdul Rahim Bin Abdul Halim**

(Non-Independent Non-Executive Director)

### **Tan Sri Dato' Wong See Wah**

(Independent Non-Executive Director)

### **Dato' Khor Ah Hua @ Khor Choo Fong**

(Independent Non-Executive Director)

### **Mr. Lau Tiang Hua, DJN**

(Independent Non-Executive Director)

## **Company Secretary:**

### **Mr. Chee Wai Hong (MIA 17181)**

## **Registered Office**

51-13-A Menara BHL Bank

Jalan Sultan Ahmad Shah

10050 Penang

Tel: 604-228 9700

Fax: 604-227 9800

Email: enquiry@fastrack.com.my

## **Corporate Office:**

Plot 317 & 318, Tingkat Perusahaan Tiga, MK 1

Kawasan Perusahaan Prai

13600 Prai, Penang

Tel: 604-399 2122/ 390 2058/ 390 9468

Fax: 604-398 9129/3997 548

Email: info@tekunasas.com

## **Audit Committee:**

### **Chairman**

### **Mr. Lau Tiang Hua, DJN**

(Independent Non-Executive Director)

### **Members**

### **Tan Sri Dato' Wong See Wah**

(Independent Non-Executive Director)

### **Dato' Khor Ah Hua @ Khor Choo Fong**

(Independent Non-Executive Director)

## **Principal Bankers:**

### **OCBC Bank (Malaysia) Bhd**

No. 36, Beach Street

10300 Penang

Tel: 604-228 1665

Fax: 604-261 7332

### **RHB Bank Bhd**

1<sup>st</sup> Floor, No. 1244-1246

Jalan Padang Lallang

Taman Desa Damai

14000 Bukit Mertajam

Pulau Pinang

Tel: 604-539 1171

Fax: 604-539 4148

### **The Royal Bank of Scotland Bhd**

No. 9, Lebuh Pantai

10300 Pulau Pinang

Tel: 604-255 9199

Fax: 604-255 9184

## **Auditors:**

### **KPMG (AF0758)**

1<sup>st</sup> Floor, Wisma Penang Garden

42, Jalan Sultan Ahmad Shah

10500 Penang

Tel: 604-227 2288

Fax: 604- 227 1888

## **Share Registrar:**

### **Mega Corporate Services Sdn Bhd (187984-H)**

Level 15-2, Sheraton Imperial Court

Jalan Sultan Ismail

50250 Kuala Lumpur

Tel: 603-2692 4271

Fax: 603-2732 5388, 2732 5399

## **Stock Exchange Listing:**

### **Main Market of Bursa Malaysia Securities Berhad**

Stock Short Name : EWEIN

Stock Code : 7249

# Chairman's Statement



On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Ewein Berhad for the financial year ended 31 December 2010.

## GROUP PERFORMANCE

I am pleased to report that the Group turned in another year of good financial performance.

The Group achieved sales revenue of RM117.479 million in 2010, an increase of 20.05% over its preceding year revenue of RM97.858 million.

The increase in sales was mainly due to the management's continuous focus on performance improvement, product and services quality consistency, henceforth leading to customers' commitment in entrusting larger manufacturing orders to the Group.

The precision sheet metal fabrication division was the main contributor to the revenue and profitability of the Group for financial year ended 31 December 2010.

The increase in sales contribution from the Malaysian market over the preceding year is a positive sign of the Group's growing local prominence. The Group achieved profit-after-tax of RM9.172 million, representing a marginal increase of approximately 0.5% over its preceding year's profit after tax.



## CORPORATE DEVELOPMENT

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

## PROSPECTS

The Group is confident that the various measures to streamline its integrated operation and efforts to diversify its production with new products will continue to yield positive results. The precision sheet metal fabrication division will continue to be the main revenue and profit contributor for the Group and we have stepped up efforts to solidify our market presence and position whilst continuously looking for new market opportunities. We will continue to focus our attention on productivity, stringent quality control and constantly endeavor in adding value to our products so as to make these our key differentiating factors in this highly competitive and challenging industry. Therefore, we remain optimistic about our ability to bring greater value to our shareholders and stakeholders and remain committed to provide the best quality and services to our customers.

The acquisition of M-Itech Sdn Bhd and The Esplanade Park Sdn Bhd are expected to benefit the company in long term.

## DIVIDENDS

The Board of Directors has recommended a first and final tax exempt dividend of 2.5 sen per share in respect of the financial year ended 31 December 2010, amounting to RM2.64 million.

## ACKNOWLEDGEMENT

On behalf of the Board, I would like to record my appreciation to all our customers, business associates, shareholders, financiers and the regulatory authorities for their continued support and trust in the Group.

I would also like to thank the management and staff for their hard work and would like to stress that it is they who have individually and collectively delivered these solid results and the excellent sales performance in 2010 despite the various financial and economic challenges prevailing globally at that point in time. The Board and I are grateful for this level of commitment and will look forward to their continuing contribution, confidence and support.

## LOOKING AHEAD

Today, many companies are facing uncertainty due to the global economic outlook that we have not seen for many years. Consumer spending is down, unemployment is increasing and rate of growth is slowing.

As we look forward to 2011, the Group has the potential to scale new heights of achievements while continuing to improve its operational results and most importantly, its financial performance. Being resilient means we have the inherent ability to handle unforeseen events. We also have a strong balance sheet.

We are confident of another year of respectable growth for Ewein.

## Dato' Seri Ewe Tiong Hor

Independent Non-Executive Chairman.



**Dato' Seri Ewe Tiong Hor**, DGNP, DSPN, DJN, PJK a Malaysian, aged 75, was appointed as the Non-Independent Non-Executive Chairman of Ewein on 11 January 2008. Dato' Seri Ewe Tiong Hor has over 32 years of experience in a wide array of businesses including manufacturing, beverage bottling, trading and distribution, property development and plantations. In 1977, Dato' Seri Ewe Tiong Hor established his first company, Ewein Winery (M) Sdn Bhd, which specialises in beverage bottling. He was appointed as the President of Malaysia Liquor Manufacturers and Bottlers Association from 1997 to 2004. Presently, Dato' Seri Ewe Tiong Hor is the Chairman of various companies such as Ewein Winery (M) Sdn Bhd, Ewein Holdings Sdn Bhd (the developer for the Palazzo, Penang) and Wen Ming Holding Sdn Bhd. Dato' Seri Ewe Tiong Hor does not hold any other directorships in public companies.

Apart from business, Dato' Seri Ewe Tiong Hor also plays an active role in social, educational and religious activities. Dato' Seri Ewe Tiong Hor is the Chairman of Hokkein Hoay Kuan, Province Wellesly; President of Hock Teik Cheng Sin Temple, Bukit Mertajam; Honorary Chairman of The North Malaya Liquor Traders' Association; Vice Chairman of the Governing Board of Sekolah Menengah Jit Sin Persendirian Bukit Mertajam; and Director of the Governing Boards of Sekolah Menengah Jenis Kebangsaan Jit Sin Bukit Mertajam and Sekolah Rendah Jenis Kebangsaan Jit Sin "B" Bukit Mertajam.

For his exemplary services to society, Dato' Seri Ewe Tiong Hor has been conferred numerous accolades including the Darjah Gemilang Pangkuan Negeri in 2008, the Darjah Setia Pangkuan Negeri in 1999, the Darjah Johan Negeri in 1992 and the Pingat Jasa Kebajikan in 1989 by the Yang Terutama Yang di-Pertua Negeri Pulau Pinang.

Dato' Seri Ewe Tiong Hor is the father of Dato' Ewe Swee Kheng who is also the Managing Director of the Company.



**Dato' Ewe Swee Kheng**, DSPN, DIMP a Malaysian, aged 43, was appointed as the Managing Director of Ewein on 11 January 2008. He is also a member of the Remuneration and Nomination Committee of the Group. Dato' Ewe Swee Kheng is the founder of the Ewein Group. Prior to establishing the Ewein Group, he started his first business under Audio Tech Industries Sdn Bhd in 1989, which is engaged in the manufacturing of speaker grilles for the consumer electronics market. In 1990, he established PPISB to design and fabricate precision moulds, tools and dies for the sheet metal fabrication industry. During the same year, he also established TASB as a pioneer in precision sheet metal fabrication under MIDA's promoted industry.

Dato' Ewe Swee Kheng was appointed as a director for various companies namely, Vivani Sdn Bhd (the franchisee of Versace), Ewein Holdings Sdn Bhd (the developer for the Palazzo, Penang) and Ewein Winery (M) Sdn Bhd. He is also the committee member of the Penang Chinese Chamber of Commerce ("PCCC"), PCCC Charity Fund Standing Committee, the director of Penang Han Chiang Associated Chinese Schools Association, a General Committee Member of Silver Jubilee Home for the Aged and the Director for Jemaah Pengurus SMJK Heng Ee. Dato' Ewe Swee Kheng does not hold any other directorships in public companies.

Under his leadership and direction, the Ewein Group is now a reputable and well recognised precision sheet metal fabrication and precision plastic injection moulding company, known for its quality products and services.

Dato' Ewe Swee Kheng is the son of Dato' Seri Ewe Tiong Hor. Dato' Ewe Swee Kheng is the Chairman and major shareholder of Hijauwasa Sdn. Bhd. which is a major shareholder of the Company.

## Directors' Profile

ewein

**Mr. Chuah Poh Lim**, a Malaysian, aged 43, was appointed as the Deputy Managing Director of Ewein on 11 January 2008. He started his career with Philips Electronics (M) Sdn Bhd as a Purchasing Assistant in 1986, where he was involved in the purchasing of mechanical parts from both local and overseas.

Mr. Chuah Poh Lim joined TASB as a Purchasing Executive in 1990. He was promoted to Material Control & Marketing Manager in 1993 and General Manager in 1998. As the General Manager, he was responsible for the overall operation and administration of TASB. Due to his hard work and invaluable experiences, he was later promoted to Deputy Managing Director of TASB, where he oversees of the overall operations of TASB, PPISB and KPTSB.

He does not hold any other directorships in public companies. Mr Chuah Poh Lim has no family relationship with any other Director and/or major shareholder of the Company.



**Dato' Abdul Rahim Bin Abdul Halim**, a Malaysian, aged 62, was appointed as a Non-Independent Non-Executive Director of Ewein on 15 January 2008. Dato' Abdul Rahim Bin Abdul Halim is a qualified economist by profession. He holds a Bachelor of Economics (Honours) degree from the University of Malaya. He has served in several senior positions in the Ministry of International Trade and Industry. He was the founder Director of Daihatsu (Malaysia) Sdn Bhd. He was appointed to the board of MBM Resources Berhad ("MBMR") on 17 December 1993. Dato' Abdul Rahim Bin Abdul Halim was MBMR's Managing Director and Audit Committee member until 28 February 2006. He is currently the Chairman of MBMR. Dato' Abdul Rahim Bin Abdul Halim has extensive experience in the motor vehicle industry and is presently on the board and Audit Committee of Rubberex Corporation (M) Berhad, the director of Central Cables Berhad as well as holding the position of director in several other private companies. He is the Chairman of Oriental Metal Industries (M) Sdn Bhd and Summit Vehicles Body Works Sdn Bhd and a Board member of Perusahaan Otomobil Kedua Sdn Bhd (Perodua).

Dato' Abdul Rahim Bin Abdul Halim has no family relationship with any Director and/or major shareholder of the Company.



## Directors' Profile



**Tan Sri Dato' Wong See Wah**, a Malaysian, aged 65, was appointed as an Independent Non-Executive Director of Ewein on 11 January 2008. Tan Sri Dato' Wong See Wah started his career in the education arena before devoted to politics in 1982. He was then appointed as the Negeri Sembilan State EXCO and Deputy Minister in the Prime Minister's Department and the Ministry of Finance until 1999. During his service as a state assemblyman and parliamentarian, he has served the people and implemented various state and federal development projects. He represented Malaysia in various international conferences and led a number of delegations to promote Malaysia as the preferred international financial market. He is currently the Chairman of IJM Plantations Berhad and a director of Unisem (M) Berhad.

Tan Sri Dato' Wong See Wah is the Chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of the Group.

Tan Sri Dato' Wong See Wah is not related to any other Director and/or major shareholder.



**Dato' Khor Ah Hua @ Khor Choo Fong**, a Malaysian, aged 63, was appointed as an Independent Non-Executive Director of Ewein on 11 January 2008. He completed a Management Development Programme at the Asia Institute of Management, Philippines and a Senior Management Development Programme of Howard Business School. He is a businessman with extensive experience in the motor industry. He has previously served in various senior positions including the position of Executive Director in Daihatsu (M) Sdn. Bhd. He is currently the Board member of Hino Motors (Malaysia) Sdn Bhd.

Dato' Khor Ah Hua @ Khor Choo Fong is a member of the Audit, Remuneration and Nomination Committee of the Group.

Dato' Khor Ah Hua @ Khor Choo Fong is not related to any other Director and/or major shareholder of the Company.



**Mr. Lau Tiang Hua, DJN**, a Malaysian, aged 58, was appointed as an Independent Non-Executive Director of Ewein on 11 January 2008. He is also the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Group. An accountant by profession, he is a member of the Malaysian Institute of Certified Public Accountants (MICPA), Malaysian Institute of Accountants (MIA) and Chartered Tax Institute of Malaysian. Mr. Lau Tiang Hua began his career with an international accounting firm in Malaysia, rising to the rank of an Audit Manager. Following this, he took a position as the General Manager of Finance and Administration for a major publishing house before starting his own practice, JB Lau & Associates, Chartered Accountants, in 1985. The firm merged with Grant Thornton on 1 January 2008.

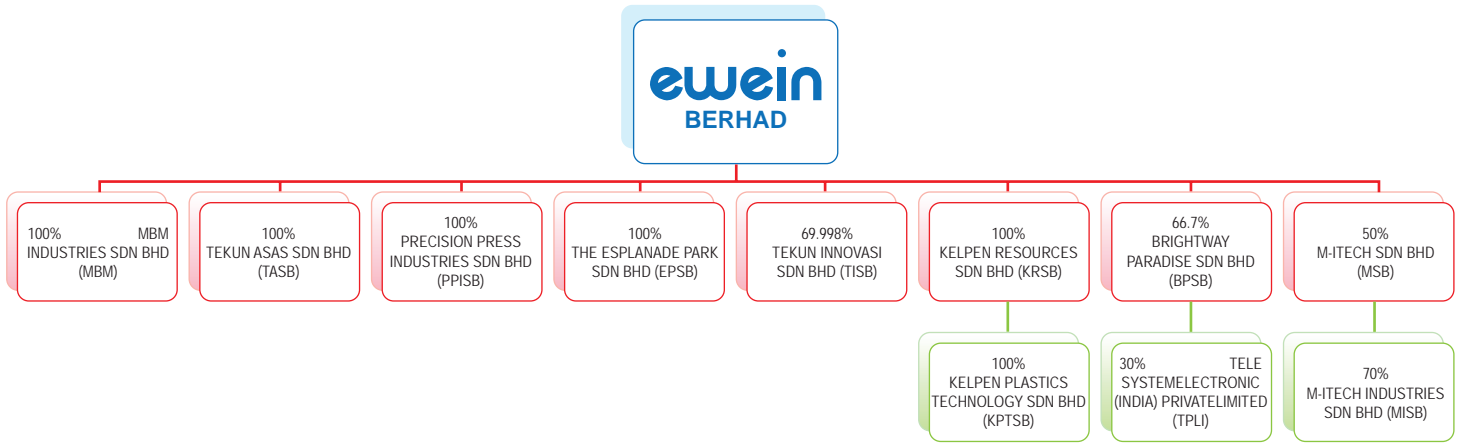
Mr. Lau Tiang Hua also acts as an Independent Non-Executive Director for PanGlobal Berhad, Tomei Consolidated Berhad, Scanwolf Corporation Berhad and Land & General Berhad.

Mr. Lau Tiang Hua is not related to any other Director and/or any major shareholder of the Company.

*Note:*

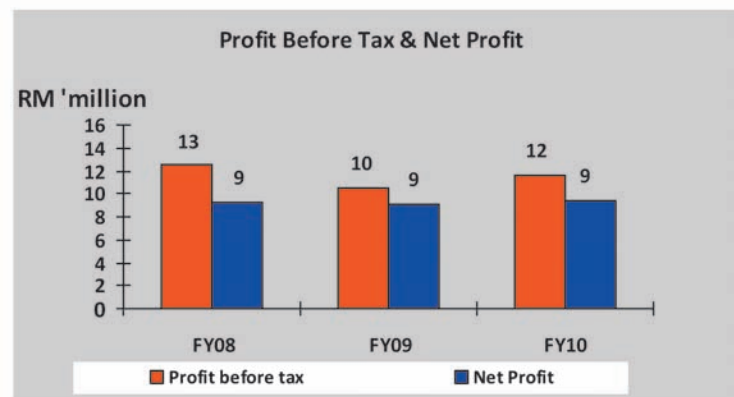
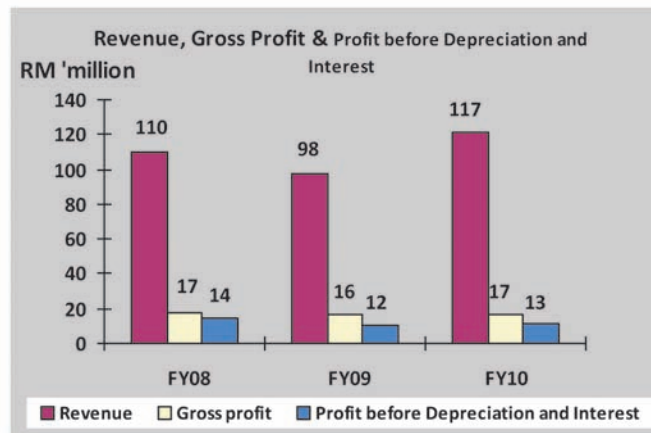
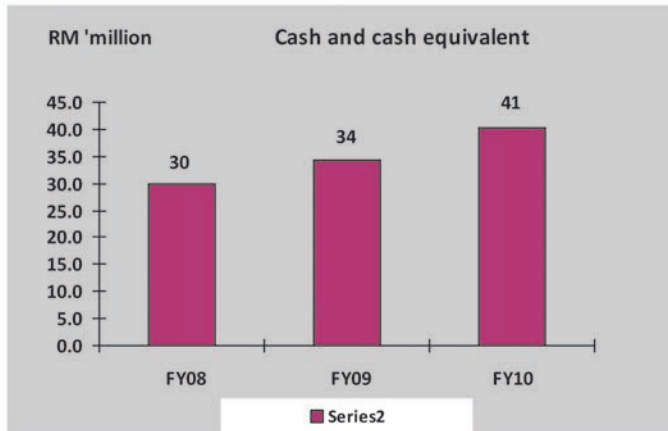
*Save as disclosed, the above directors have no conflict of interest with Ewein Berhad and have not been convicted of any offence within the past 10 years.*

# CORPORATE STRUCTURE



# Group Financial Performances

year ended 31 December



# Statement on Corporate Governance



The Board of Directors of Ewein Berhad (the “Board”) recognises the importance of sound corporate governance and will continue to enhance its role in ensuring that the highest standard of corporate governance is practiced throughout the Group. The principles and best practices set out in the Malaysian Code on Corporate Governance (the “Code”) has been fully complied by the Group in observing the highest standard of transparency, accountability and integrity.

The Board is pleased to report on the application of the Code by the Group during the period under review.

## 1. BOARD OF DIRECTORS

### Composition of the Board/Board Balance

The Board currently consists of seven (7) members; comprising two (2) Non-Independent and Non-Executive Directors, two (2) are Executive Directors and three (3) are Independent Non-Executive Directors. The Board consists of members from a wide range of discipline and background, providing in-depth and diversity in experience to the Group’s operation. All Independent Non-Executive Directors are free from any business dealings and other relationship with the Group and therefore play a crucial role in corporate accountability with their independent, unbiased views, advice and judgment in the decision making process.

With Dato’ Seri Ewe Tiong Hor as the Group Non-Independent Non-Executive Chairman and Dato’ Ewe Swee Kheng as the Group Managing Director, there is a clear division of responsibilities between these roles to ensure a balance of power and authority. Furthermore, the complement of the Non-Executive Directors provides an effective Board with a mix of industry-specific knowledge, technical and commercial experience. This balance enables the Board to provide a clear and effective leadership to the Company and to bring informed and independent judgment to various aspects of the Company’s strategies and performance.

A brief profile of each Director is presented on page 4 to page 6 of this Annual Report.

### Board Responsibilities and Duties

The Company is led by an experience and dynamic Board. It has a balanced board composition with effective independent directors. The Board takes full responsibility and retains full and effective control over the affairs of the Group. The Board’s primary focus is on overall strategic planning including business plan and annual budget, performing quarterly review of business and financial performance, reviewing risk management, exercising internal controls and enforcing legal and statutory compliance.

The Independent Non-Executive Directors further strengthen the Board in providing unbiased and independent views, advice and judgment. They also contribute to the formulation of policies and decision-making through their expertise and experience.

The primary responsibilities of the Board are amongst others, the following:

- a) Reviewing and adopting a strategic business plan of the Company and the Group as a whole.
- b) Monitoring corporate performance and the conduct of the Group’s business and ensuring compliance to the best practices and principles of corporate governance.
- c) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks through the Audit Committee.

# Statement on Corporate Governance (Cont'd)



- d) Ensuring succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management.
- e) Ensuring a transparent Board nomination and remuneration process.
- f) Reviewing the adequacy and integrity of the Group's internal control system and management information system for compliance with applicable law, regulations, rules, directives and guideline.
- g) Developing and implementing an investors' relations programme or shareholders communications policy for the Company.

## Board Meeting

During the financial year ended 31 December 2010 the Board met on 4 occasions. Meeting agendas included review of quarterly financial results and announcements, plan and direction of the Group. The Board meetings are fixed in advance at the end of the preceding financial year to enable the Directors to plan ahead and incorporate the year's meetings into their own schedules. Board meetings are held every quarter and additional meetings are held as and when necessary.

Details of each existing Director's meeting attendances are as follows:

<b>Name of Director</b>	<b>Attendance</b>
Dato' Seri Ewe Tiong Hor	4/4
Dato' Ewe Swee Kheng	4/4
Mr. Chuah Poh Lim	4/4
Dato' Abdul Rahim Bin Abdul Halim	4/4
Tan Sri Dato' Wong See Wah	4/4
Dato' Khor Ah Hua @ Khor Choo Fong	4/4
Mr. Lau Tiang Hua, DJN	4/4

## Supply of Information

Board reports are sent to the Directors prior to each meeting to enable the Directors to obtain explanations, where necessary to allow them to effectively discharge their responsibilities.

The Board has access to all information in relation to the Group whether as a full Board or in their individual capacity to assist them in the furtherance of their duties. Besides direct access to management staff, the Company Secretaries are also made available to render their independent views and advice to the Board. In addition, the Directors, if necessary, may also seek professional advice, at the Company's expense, if required. The Directors may also consult the Chairman and other Board members prior to seeking any independent professional advice.

## **Board Committees**

The Board has delegated appropriate responsibilities to the Board Committees, namely Audit Committee, Nominating Committee and Remuneration Committee, in order to enhance business and operational efficiency and efficacy. Terms of references have been established for all Board Committees and the Board receives reports of their proceedings and deliberations. The Chairman of the Committees report to the Board the outcome of the Committee meetings and such reports are incorporated in the minutes of the full board meeting.

## **Appointment and Re-election of Directors**

The Board has delegated the Nomination Committee the responsibility for considering the appointment of Directors, identifying and selecting potential new directors and proposing to the Board the appointment of new directors.

The majority of members of the Nomination Committee are Independent Non-Executive Directors. The members of the Nomination Committee are as below:

<b>Name of Director</b>	<b>Designation</b>
Tan Sri Dato' Wong See Wah	Chairman, Independent Non-Executive Director
Dato' Ewe Swee Kheng	Member, Managing Director
Dato' Khor Ah Hua @ Khor Choo Fong	Member, Independent Non-Executive Director
Mr. Lau Tiang Hua, DJN	Member, Independent Non-Executive Director

The Articles of Association of the Company provide that one third (1/3) of the Directors are required to retire at every Annual General Meeting ("AGM"), and be eligible for re-election provided that each Director shall retire once in every three (3) years.

In accordance with Section 129(6) of the Companies Act, 1965, any Director who has attained the age of seventy (>70) years and above is required to retire annually and shall be eligible for re-appointment.

## **Directors' Training**

The Directors undergo training to equip themselves to effectively discharge their duties as a Director of the Company. All Directors of the Group have completed the Mandatory Accreditation Programme (MAP) prescribed by Bursa Malaysia Securities Berhad. The Board encourages its Directors to attend talks, seminars, workshops and conferences to update and enhance their skills and knowledge to enable them to carry out their roles as directors effectively, more specifically in discharging their responsibilities towards corporate governance and regulatory compliances.

# Statement on Corporate Governance (Cont'd)



## 2. DIRECTORS' REMUNERATION

The Remuneration Committee comprises a majority of Independent Non-Executive Directors who responsible for recommending the remuneration packages of the Executive Directors of the Company to the Board on a yearly basis. The Board determines the remuneration of Non-Executives Directors who abstain from deliberation and decision made in respect of their individual remuneration. Currently, the members of the Remuneration Committee are:

<u>Name of Director</u>	<u>Designation</u>
Tan Sri Dato' Wong See Wah	Chairman, Independent Non-Executive Director
Dato' Ewe Swee Kheng	Member, Managing Director
Dato' Khor Ah Hua @ Khor Choo Fong	Member, Independent Non-Executive Director
Mr. Lau Tiang Hua, DJN	Member, Independent Non-Executive Director

The details of the Directors' remuneration for the financial year ended 31 December 2010 are as follows:

Remuneration	Non Executive Director (RM)	Executive Director (RM)
Salaries	-	550,266
Fees	102,000	21,000
Benefit in Kind	-	4,094

Remuneration	Number of Directors	
	Non Executive Director (RM)	Executive Director (RM)
Below RM50,000	-	-
RM 50,001 - RM100,000	-	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	-	2
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	-	-
RM350,001 – RM400,000	-	-
RM401,001 – RM450,000	-	-
RM451,001 – RM500,000	-	-

### **3. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS**

The Board adheres to the disclosure requirements of Bursa Malaysia Securities Berhad and ensures timely release of the financial results on a quarterly basis in order to provide its shareholders with an overview of the Group's financial and operational performance. In addition, it communicates with its shareholders, Institutional and potential investors through various announcements made during the year.

Information of the Group is also accessible through the Company's website at [www.eweinberhad.com](http://www.eweinberhad.com) which is updated on a regular basis. Information available in the website includes among others the Group Annual Report, quarterly financial announcements, major and significant announcements, press releases and latest corporate developments of the Group.

The forthcoming Annual General Meeting ("AGM") is the Company's Fifth AGM and this will provide the opportunity for shareholders to raise questions pertaining to issues in the Annual Report, Audited Financial Statements and corporate developments in the Group, the resolutions being proposed and/or on the business of the Group. At the AGM, shareholders are given direct access to the Board and are encouraged to participate in its proceedings and seek clarification on the performance of the Group.

### **4. ACCOUNTABILITY AND AUDIT**

#### **Financial Reporting**

The Board is responsible to ensure that the Company's financial statements are prepared in accordance with the Financial Reporting Standards and the Companies Act, 1965. The Company publishes its financial statements annually and quarterly as required by the Bursa Malaysia Securities Berhad. The Directors' responsibility statement in respect of the preparation of the audited financial statements is set out on page 23 to 26 of this annual report.

#### **Internal Control**

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The Statement on Internal Control is furnished on page 16 to 17 of this Annual Report and this provides an overview of the state of internal controls within the Group.

#### **Relationship with Auditors**

The Company's external auditors continue to provide the independent assurance to shareholders on the Group's and the Company's financial statements. The Board maintains a formal and transparent relationship with the auditors to meet their professional requirements.

The role of the Audit Committee in relation to the internal and external auditors is described in the Audit Committee Report section on pages 18 to 22 of this Annual Report.

### **5. STATEMENT ON COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE**

Having reviewed the governance structure and practices of the Group, the Board considers that it has complied with the best practices as set out in Part 2 of the Code throughout the financial year.

## **CORPORATE SOCIAL RESPONSIBILITY**

To maintain a healthy and safe workplace, the Company has put in place an Occupational Health and Safety policy whereby the welfare of its workers are placed in high priority. The fire safety training has also been carried out with the assistance of the representative from the local fire department during the year.

During the financial year, the Group involved in the donation to Tabung Pembinaan SMJK Heng Ee, Penang Han Chiang Associated Chinese Schools Association, Sponsorship for Cultural Night Pulau Pinang, donation to the Union of Fire Fighting and Rescue, Peninsular Malaysia.

Here in Ewein Bhd, we have always believed in sustainable growth, both economically and socially. We continued the various programs we initiated in previous years and started new ones with the aim of fulfilling our corporate responsibility and more importantly, to contribute back to the community.

While we understand that our sustainability and long-term success depend on our ability to gain access to new business opportunities and the strength of our relationships with key stakeholders such as customers, employees, suppliers, shareholders and regulators, we also recognized that our businesses have direct and indirect impact on the societies in which we operate. Hence, besides conducting our business in a fair manner and respecting the local laws, customs and traditions, looking after our employees and the community and ultimately improving the quality of life for them are key areas for the Group.

## **STATEMENT OF DIRECTORS' RESPONSIBILITY**

The Directors are required by the Companies Act, 1965 to prepare financial statements for the financial year which have been made out in accordance with the applicable approved accounting standards in Malaysia and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the results and cash flows of the Group and the Company for the financial year then ended.

In preparing the financial statements, the Directors have used appropriate and relevant Accounting policies that are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that all applicable approved accounting standards in Malaysia have been complied with.

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

The Directors' Responsibility Statement in respect of the Audited Financial Statement for the year ended 31 December 2010 is set out in the Financial Statement section of this Annual Report.

## **ADDITIONAL DISCLOSURE STATEMENTS**

### **UTILISATION OF PROCEEDS**

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

### **SHARE BUY-BACKS**

There were no Share Buy-Backs during the financial year.

# Statement on Corporate Governance (Cont'd)



## **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

There was no issuance of options, warrants or convertible securities during the financial year.

## **AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT PROGRAMME (GDR) SPONSORED BY THE COMPANY**

During the financial year, the Company did not sponsor any ADR or GDR programme.

## **IMPOSITION OF SANCTIONS AND /OR PENALTIES**

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

## **NON-AUDIT FEES**

There was no non-audit fees paid to the external auditors during the financial year. The taxation fees totaling RM 21,000 is payable to the external auditors of the Company during the financial year.

## **MATERIAL VARIANCE**

There was no material variance between the results for the financial year and the unaudited results previously announced by the Company.

## **PROFIT GUARANTEES**

During the financial year, there was no profit guarantee given by the Company or its subsidiary companies.

## **MATERIAL CONTRACTS**

There were no material contracts of the Company and its subsidiaries, involving Directors' or major shareholders' interests, still subsisting at the end of the financial year.

## **RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE**

Details of transactions with related parties undertaken by the Group during the financial year are disclosed in Note 22 of the Financial Statements.

## **CONTRACT RELATING TO LOANS**

There were no contract of loan between the Company and its subsidiaries that involve directors' or major shareholders' interest during the financial year.

## **REVALUATION POLICY ON LANDED PROPERTIES**

The Company and the Group does not adopt a policy on regular revaluation of its landed properties.

## **EMPLOYEES' SHARE OPTION SCHEME ("ESOS")**

The Company has not implemented any ESOS during the financial year.

# Statement on Internal Control



## Introduction

This statement on Internal Control is made pursuant to Bursa Securities Listing Requirements and formulated in accordance with Statement on Internal Control: Guidance for Directors of Public Listed Companies. The statement outlines the scope of internal control within the Group.

The Board recognises the importance of a sound system of internal controls and an effective risk management framework to good corporate governance. The Board acknowledges its responsibility for maintaining a sound system of internal controls, and for reviewing its adequacy and integrity. The Board of Directors is committed to maintaining a system of internal controls in financial, operational and compliance as well as risk management to achieve the following objectives:

- Safeguard assets of the Group and shareholders' interest;
- Identify and manage risks affecting the Group;
- Ensure compliance with regulatory requirements; and
- Ensure operational results are closely monitored and substantial variances are promptly explained.

However, the Board recognises that reviewing of the Group's system of internal controls is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing this objective, internal control can only provide reasonable and not absolute assurance against material misstatement or loss. In striving for continuous improvement, the Board will put in place appropriate action plans, when necessary, to further enhance the Group's system of internal controls.

## Internal Control

The Group's system of internal controls comprises the following key elements:

- Organisational structure and accountability levels

Key responsibilities and lines of accountability within the Group are defined, with clear reporting lines up to the Senior Management of the Group and to the Board of Directors of the Ewein Berhad. The Group's delegation of authority sets out the decisions that need to be taken and the appropriate authority levels of Management including matters that require Board approval.

- Strategic business planning processes

Business planning and budgeting is undertaken bi-annually, to establish plans and targets against which performance is monitored.

- Control procedures

Operating Procedures Manuals that set out certain policies and procedures are maintained by certain companies in the Group, to ensure that accountability and standard control procedures are in place.

# Statement on Internal Control (Cont'd)



## **Internal Audit**

The Group has engaged an external independent professional services firm to carry out its internal audit functions. During the financial year ended 31 December 2010, the Internal Auditor had conducted a limited assessment of the risks inherent in the Group. In addition, the Internal Auditor had undertaken a detailed assessment of the risks and a review of the internal control systems of one of its operating subsidiaries. Arising from this assessment and review, they had highlighted to the Management on areas for improvement. The Internal Auditor had also presented their reports to the Audit Committee for deliberation. In turn, the Audit Committee had also reported to the Board of Directors on the Internal Auditor's findings and their recommendations for improvements and the response from Management thereto.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal controls of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2010. The Group continues to take the necessary measures to ensure that the system of internal controls is in place and functioning effectively.

## **Risk Management Framework**

For long-term viability of the Group, it is crucial to achieve a critical balance between risks incurred and potential returns. Taking cognizance of this, the Board has been mandated to drive the risk management process whilst focusing on the critical business agenda of the Group. The Board strived to develop and implement an effective and efficient and integrated approach to risk management whereby risk management is built into the existing governance and organization structure and planning and operational process of the Group. The Group had also developed an effective risk management culture and awareness at all levels of the organization.

The Group has an on-going process for identifying, evaluating and managing significant risks faced by the Group and this mechanism continued to be effective in the year under review. Members of the Board regularly review the control process for any weaknesses exposed by the changing business environment.

This Statement is issued in accordance with a resolution of the Directors date 28 April 2011.

# Audit Committee Report



## COMPOSITION

Name of Director	Designation
Mr. Lau Tiang Hua, DJN	Chairman, Independent Non-Executive Director
Tan Sri Dato' Wong See Wah	Member, Independent Non-Executive Director
Dato' Khor Ah Hua @ Khor Choo Fong	Member, Independent Non-Executive Director

## TERMS OF REFERENCE

### Overview

The Audit Committee of Ewein Berhad is committed to its role of ensuring high components governance practices and providing oversight on the Group's financial reporting, risk management and internal control systems.

### Composition of the Audit Committee

The Audit Committee shall consist of at least three (3) members appointed by the Board from amongst the directors. All the members of the Audit Committee must be Non-Executive Directors with a majority of them being Independent Directors. All members of the Audit Committee shall be financially literate and at least one member shall be:

- i) a member of the Malaysian Institute of Accountants; or
- ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience; and:
  - a) he must have passed the examination specified in Part I of the First Schedule of the Accountants Act 1967; or
  - b) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.
- iii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

Members of the Audit Committee shall elect a Chairman, from amongst their members who must be an Independent Non-Executive Director. An Alternate Director shall not be appointed as a member of the Audit Committee

### Authority

The Audit Committee is authorised by the Board to:

- (i) The Committee have explicit authority by the Board to investigate any activity within its terms of reference, the resources to do so and full access to information.
- (ii) The Committee is empowered to obtain independent professional advice and to invite outsiders with relevant experience to attend, if necessary.

## Functions of the Audit Committee

The Audit Committee shall, amongst others, discharge the following functions:

- (i) to consider the appointment and annual re-appointment of external auditors, their audit fees and any question of their resignation or dismissal and to recommend to the Board.
- (ii) 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.
- (iii) 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).
- (iv) to review with the external auditor's management letter and management's response.
- (v) to do the following, in relation to the internal audit function:-
  - a. review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - b. review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - c. review any appraisal or assessment of the performance of members of the internal audit function;
  - d. approve any appointment or termination of senior members of the internal audit function; and
  - e. take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (vi) to review the quarterly results and year end financial statements of the Group and the Company, prior to the approval by the Board, whilst ensuring that they are prepared in a timely and accurate manner, focusing particularly on
  - a. changes in accounting policies and practices;
  - b. implementation of major accounting policies and practices;
  - c. going concern assumption
  - d. significant and unusual events; and
  - e. compliance with accounting standards and other legal requirements.
- (vii) 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.
- (viii) to consider the major findings of internal investigations and management's response.
- (ix) to review and verify the allocation of share options granted to employees pursuant to the Employee Share Option Scheme.
- (x) to review with the external auditor, his audit report.
- (xi) to review with the external auditor the assistance given by the employees of the Company.

- (xi) to review with the Board of Directors of the Company whether there is reason (supported by grounds) to believe that the listed issuer' external auditor is not suitable for re-appointment.
- (xii) to consider/perform any other topics/functions as authorized by the Board.

## **Retirement and Resignation**

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 three (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.

## **Review of the Audit Committee**

The Board of Directors must review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

## **Meetings**

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than 7 days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

The Committee shall regulate its own proceedings. The Committee shall meet not less than four (4) times a year. Additional meetings may be held at the discretion of the Committee or at the request of external auditors.

The quorum of the meeting is two (2) and majority of Members present must be Independent Directors.

The Company Secretary shall be the Secretary of the Committee.

The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

Minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Chairman of the Board and, once agreed, to all other members of the Board, unless a conflict of interest exists.

The finance director, the head of internal audit and a representative of the external auditors should normally attend meetings.

Other board members may attend meetings upon the invitation of the Audit Committee.

Committee should meet with the external auditors without Executive Board Members present at least twice a year.

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.

## **MEETINGS HELD DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

During the financial year, four (4) meetings were held and the table of attendance of each committee member is as follows:

# Audit Committee Report (Cont'd)



Name of Director	Attendance
Mr. Lau Tiang Hua, DJN	4/4
Tan Sri Dato' Wong See Wah	4/4
Dato' Khor Ah Hua @ Khor Choo Fong	4/4

## **SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE**

The activities of the Audit Committee for the financial year under review include the following:

- i) Reviewed the unaudited quarterly financial statements and annual audited financial statements of the Group before recommending them for approval by Board of Directors.
- ii) Reviewed with the external auditors their audit plan, scope of work and results of annual audit for the Group.
- iii) Reviewed with external auditors the impact of new or proposed changes in accounting standards and regulatory requirements to the Company.
- iv) Met with external auditors at least twice a year without the presence of the management to discuss relevant issues and obtain feedbacks.
- v) Reviewed the independence, objectivity and effectiveness of external auditors.
- vi) Evaluate the performance of external auditors and made recommendations to the Board of Directors on their re-appointment and remuneration.
- vii) Reviewed the internal control issues identified by internal and external auditors as well as Management's response to the audit recommendations and implementations of agreed action plans.
- viii) Submitted regular reports of matters discussed in the Audit Committee meeting to the Board of Directors for information and review.
- ix) Reviewed the internal audit plan, internal audit report, effectiveness of audit process, resource requirements for the year and assessed the performance of internal auditors.
- x) Reviewed with the external auditors their audit plan, scope of work and results of the annual audit for the Group.
- xi) Monitored the corrective actions taken on the outstanding audit issues.
- xii) Reviewed the related party transactions and conflict of interest situation that may arise within the Company or Group.

## **INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES**

The Group had outsourced its internal audit function to a professional internal audit service provider firm. The main role of the internal audit is to review the effectiveness of the Group's system of internal controls and this is performed with impartiality, proficiency and due professional care.

The internal auditor reports directly to the Audit Committee the effectiveness of risk management, internal control system and governance processes within the Group.

The internal audit adopts a risk based auditing approach by focusing on identify high risk areas and to recommend corrective measurements for compliance with control policies and procedures, identifying business risk which have not been appropriately addressed and evaluating the adequacy and integrity of control.

The summary of main activities undertaken by the internal audit function during the financial year are as below:

- i) Prepared the Group's Internal Audit Plan for the Audit Committee's approval;
- ii) Carried out internal audits of the Company and its subsidiary companies to review the adequacy of internal controls in the auditable areas such as Sales and Collection and Purchasing and Payment Management and to assess consistency in the compliance with the established policies and procedures;
- iii) Performed an ad hoc reviews of selected internal control system and procedures as requested by the Audit Committee;
- (iv) Reported the outcomes of audit conducted which highlight the effectiveness of the internal control system and significant risks.
- (v) Monitored remedial actions taken by the management in response to the recommendations addressing the internal control deficiencies; and
- (vi) Presented the internal audit reports at the Audit Committee meetings for the deliberation by its members, and to follow up on the suggestions given by its members.

# Directors' Report

## for the year ended 31 December 2010



The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2010.

### Principal activities

The principal activity of the Company is investment holding whilst the principal activities of its subsidiaries are as stated in Note 4 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

### Results

	<b>Group RM</b>	<b>Company RM</b>
<b>Profit for the year attributable to :</b>		
Owners of the Company	9,153,102	4,485,225
Minority interest	18,965	-
	<u>9,172,067</u>	<u>4,485,225</u>

### Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

### Dividends

Since the end of the previous financial year, the Company paid a first and final tax exempt dividend of 2.50 sen per ordinary share totalling RM2,636,565 in respect of the financial year ended 31 December 2009 on 20 August 2010.

The Directors recommend a first and final tax exempt dividend of 2.50 sen per share in respect of the financial year ended 31 December 2010 subject to shareholder's approval at the forthcoming Annual General Meeting of the Company.

# Directors' Report

for the year ended 31 December 2010 (Cont'd)



## Directors of the Company

Directors who served since the date of the last report are :

Dato' Seri Ewe Tiong Hor - Chairman  
 Dato' Ewe Swee Kheng - Managing Director  
 Chuah Poh Lim  
 Tan Sri Dato' Wong See Wah  
 Dato' Khor Ah Hua @ Khor Choo Fong  
 Dato' Abdul Rahim bin Abdul Halim  
 Lau Tiang Hua

## Directors' interests

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

Number of ordinary shares of RM1 each						
Direct Interests			Deemed Interests			
Balance at 1.1.2010	Bought	Balance at 31.12.2010	Balance at 1.1.2010	Bought	Balance at 31.12.2010	

### The Company

Dato' Seri Ewe Tiong Hor					
- others #	39,500	-	39,500	-	-
Dato' Ewe Swee Kheng					
- own	50,000	-	50,000	44,888,955	-
Chuah Poh Lim - own	85,000	-	85,000	-	-

# These are shares held in the name of the children and are treated as the interests of the Director in accordance with Section 134(12) (c) of the Companies Act, 1965.

By virtue of his interests in the shares of the Company, Dato' Ewe Swee Kheng is also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2010 had any interest in the shares of the Company and of its related corporations during the financial year.

# Directors' Report

## for the year ended 31 December 2010 (Cont'd)



### **Directors' benefits**

Since the end of the previous financial year, no Director of the Company has received nor 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 of the Company and its related corporations) by reason of a contract made by the Company or a related corporation with the 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.

There were no arrangements during and at the end of the financial year which had the object 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.

### **Issue of shares and debentures**

There were no changes in the authorised, issued and paid-up capital of the Company and no debentures were in issue during the financial year.

### **Options granted over unissued shares**

No options were granted to any person to take up unissued shares of the Company during the financial year.

### **Other statutory information**

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

- i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so 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 provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group's and in the Company's financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or in the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

# Directors' Report

## for the year ended 31 December 2010 (Cont'd)



### **Other statutory information (continued)**

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

No contingent liability or other liability of any company in the Group 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.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2010 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.

### **Subsequent event**

The details of such event are disclosed in Note 29 to the financial statements.

# Directors' Report

for the year ended 31 December 2010 (Cont'd)



## **Auditors**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

.....  
**Dato' Ewe Swee Kheng**

.....  
**Chuah Poh Lim**

Penang,

Date : 28 April 2011

# Consolidated Statement of Financial Position

as at 31 December 2010



	Note	31.12.2010 RM	31.12.2009 RM (restated)	1.1.2009 RM (restated)
<b>Assets</b>				
Property, plant and equipment	3	19,584,555	20,248,393	20,065,104
Investment in an associate	5	513,750	513,750	513,750
Other investments	5	2,218,940	2,622,777	4,894,264
Deferred tax assets	12	611,000	787,000	787,000
<b>Total non-current assets</b>		<u>22,928,245</u>	<u>24,171,920</u>	<u>26,260,118</u>
Inventories	6	8,548,474	7,889,045	8,234,953
Trade and other receivables	7	29,921,939	28,878,699	28,305,097
Current tax assets		20,162	166,441	66,000
Cash and cash equivalents	8	40,854,647	34,266,057	30,036,793
<b>Total current assets</b>		<u>79,345,222</u>	<u>71,200,242</u>	<u>66,642,843</u>
<b>Total assets</b>		<u>102,273,467</u>	<u>95,372,162</u>	<u>92,902,961</u>

# Consolidated Statement of Financial Position

as at 31 December 2010 (Cont'd)



	Note	31.12.2010 RM	31.12.2009 RM (restated)	1.1.2009 RM (restated)
<b>Equity</b>				
Share capital	9	52,731,300	52,731,300	52,731,300
Reserves	10	23,154,466	16,080,897	9,590,740
<b>Total equity attributable to owners of the Company</b>		<u>75,885,766</u>	<u>68,812,197</u>	<u>62,322,040</u>
Minority interests		48,965	-	-
<b>Total equity</b>		<u>75,934,731</u>	<u>68,812,197</u>	<u>62,322,040</u>
<b>Liabilities</b>				
Loans and borrowings	11	1,442,802	2,159,156	3,050,404
Deferred tax liabilities	12	1,099,053	962,215	836,019
<b>Total non-current liabilities</b>		<u>2,541,855</u>	<u>3,121,371</u>	<u>3,886,423</u>
Trade and other payables	13	22,732,527	22,494,209	24,680,195
Loans and borrowings	11	706,289	812,330	793,392
Current tax liabilities		358,065	132,055	1,220,911
<b>Total current liabilities</b>		<u>23,796,881</u>	<u>23,438,594</u>	<u>26,694,498</u>
<b>Total liabilities</b>		<u>26,338,736</u>	<u>26,559,965</u>	<u>30,580,921</u>
<b>Total equity and liabilities</b>		<u>102,273,467</u>	<u>95,372,162</u>	<u>92,902,961</u>

The notes on pages 40 to 86 are an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010



	Note	2010 RM	2009 RM
<b>Continuing operations</b>			
Revenue	14	117,479,204	97,858,324
Cost of sales		(101,119,902)	(81,785,833)
<b>Gross profit</b>		<u>16,359,302</u>	<u>16,072,491</u>
Selling and distribution costs		(1,139,412)	(978,530)
Administrative expense		(5,920,132)	(5,110,456)
Other operating expenses		(202,266)	(1,930,950)
Other operating income		2,788,288	2,560,663
<b>Operating profit</b>		<u>11,885,780</u>	<u>10,613,218</u>
Finance costs	18	(126,345)	(167,110)
<b>Profit before tax</b>	15	<u>11,759,435</u>	<u>10,446,108</u>
Income tax expense	19	(2,587,368)	(1,319,386)
<b>Profit for the year</b>		<u>9,172,067</u>	<u>9,126,722</u>
<b>Other comprehensive income, net of tax</b>			
Fair value of available-for-sale financial assets		557,032	-
<b>Total comprehensive income for the year</b>		<u><u>9,729,099</u></u>	<u><u>9,126,722</u></u>

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010 (Cont'd)



	Note	2010 RM	2009 RM
<b>Profit for the year attributable to :</b>			
Owners of the Company		9,153,102	9,126,722
Minority interests		18,965	-
<b>Profit for the year</b>		<u>9,172,067</u>	<u>9,126,722</u>
<b>Total comprehensive income attributable to :</b>			
Owners of the Company		9,710,134	9,126,722
Minority interests		18,965	-
<b>Total comprehensive income for the year</b>		<u>9,729,099</u>	<u>9,126,722</u>
<b>Basic earnings per share (sen)</b>	24	<u>8.68</u>	<u>8.65</u>

The notes on pages 40 to 86 are an integral part of these financial statements.

# Consolidated Statement on Changes in Equity

for the year ended 31 December 2010



	← <i>Attributable to owners of the Company</i> →				Total RM	Minority interests RM	Total equity RM
	<i>Non-distributable</i>		<i>Distributable</i>				
	Share capital RM	Reverse acquisition reserve RM	Fair value reserve RM	Retained earnings RM			
<b>At 1 January 2009</b>	52,731,300	(31,482,494)	-	41,073,234	62,322,040	-	62,322,040
Total comprehensive income for the year	-	-	-	9,126,722	9,126,722	-	9,126,722
Dividend to owners of the Company (Note 20)	-	-	-	(2,636,565)	(2,636,565)	-	(2,636,565)
<b>At 31 December 2009/ 1 January 2010</b>	52,731,300	(31,482,494)	-	47,563,391	68,812,197	-	68,812,197
Subscription of shares by minority interests	-	-	-	-	-	30,000	30,000
Total Comprehensive income for the year	-	-	557,032	9,153,102	9,710,134	18,965	9,729,099
Dividend to owners of the Company (Note 20)	-	-	-	(2,636,565)	(2,636,565)	-	(2,636,565)
<b>At 31 December 2010</b>	52,731,300	(31,482,494)	557,032	54,079,928	75,885,766	48,965	75,934,731

The notes on pages 40 to 86 are an integral part of these financial statements.

# Consolidated Statement of Cash Flows

for the year ended 31 December 2010



	Note	2010 RM	2009 RM
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		11,759,435	10,446,108
Adjustments for :			
Depreciation of property, plant and equipment	3	2,243,440	2,149,705
Allowance for diminution in value on other investments	15	-	1,550,000
Dividend income	15	(107,623)	(113,729)
Plant and equipment written off	15	1,658	564
Interest income	15	(925,722)	(826,273)
Loss on disposal of other investments	15	759,298	380,950
Gain on disposal of plant and equipment	15	-	(69,749)
Interest expense	18	126,345	167,110
Operating profit before changes in working capital		13,856,831	13,684,686
Changes in working capital :			
Trade and other receivables		(1,043,240)	(573,602)
Inventories		(659,430)	345,908
Trade and other payables		1,313,986	(3,261,654)
Cash generated from operations		13,468,147	10,195,338
Income tax paid		(1,902,240)	(2,382,487)
<b>Net cash from operating activities</b>		11,565,907	7,812,851

# Consolidated Statement of Cash Flows

for the year ended 31 December 2010 (Cont'd)



	Note	2010 RM	2009 RM
<b>Cash flows from investing activities</b>			
Dividend received		107,623	113,729
Proceeds from disposal of other investments		1,174,969	340,537
Interest received		925,722	826,273
Purchase of plant and equipment	A	(2,656,928)	(1,258,591)
Proceeds from disposal of plant and equipment		-	70,450
Purchase of investments		(973,398)	-
<b>Net cash (used in)/from investing activities</b>		<b>(1,422,012)</b>	<b>92,398</b>
<b>Cash flows from financing activities</b>			
Placement of pledged fixed deposits		(5,719)	(8,278)
Repayment of finance lease obligations		(89,417)	(151,681)
Repayment of term loans		(732,978)	(720,629)
Interest paid		(126,345)	(167,110)
Dividend paid to owners of the Company		(2,636,565)	(2,636,565)
Proceeds from issuance of shares to minority interests in a subsidiary		30,000	-
<b>Net cash used in financing activities</b>		<b>(3,561,024)</b>	<b>(3,684,263)</b>
Net increase in cash and cash equivalents		6,582,871	4,220,986
Cash and cash equivalents at beginning of year		34,039,177	29,818,191
<b>Cash and cash equivalents at end of year</b>	B	<b>40,622,048</b>	<b>34,039,177</b>

## NOTE

### A. Purchase of plant and equipment

During the year, the Group acquired plant and equipment with an aggregate cost of RM1,581,260 (2009 : RM2,334,259) of which RM Nil (2009 : RM1,075,668) remained unpaid at the end of the reporting period.

### B. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts:

	Note	2010 RM	2009 RM
Fixed deposits with licensed banks (excluding pledged deposits)		32,936,710	19,334,098
Short term deposits with licensed banks	8	3,000,000	12,344,163
Cash and bank balances	8	4,685,338	2,360,916
		<u>40,622,048</u>	<u>34,039,177</u>

The notes on pages 40 to 86 are an integral part of these financial statements.

# Statement of Financial Position

as at 31 December 2010



	Note	2010 RM	2009 RM
<b>Assets</b>			
Investment in subsidiaries	4	103,525,625	103,456,623
<b>Total non-current assets</b>		103,525,625	103,456,623
Other receivables	7	4,467,747	2,650,000
Cash and cash equivalents	8	1,052,418	19,535
<b>Total current assets</b>		5,520,165	2,669,535
<b>Total assets</b>		109,045,790	106,126,158
<b>Equity</b>			
Share capital	9	52,731,300	52,731,300
Retained earnings	10	4,066,099	2,217,439
<b>Total equity attributable to owners of the Company</b>		56,797,399	54,948,739
<b>Liabilities</b>			
Other payables	13	52,248,391	51,177,419
<b>Total current liabilities</b>		52,248,391	51,177,419
<b>Total equity and liabilities</b>		109,045,790	106,126,158

The notes on pages 40 to 86 are an integral part of these financial statements.

# Statement of Comprehensive Income

for the year ended 31 December 2010



	Note	2010 RM	2009 RM
<b>Revenue</b>	14	5,687,296	3,533,333
Administrative expenses		(318,738)	(403,380)
<b>Profit before tax</b>	15	5,368,558	3,129,953
Income tax expense	19	(883,333)	(883,333)
<b>Profit for the year and total comprehensive income attributable to the owners of the Company</b>		4,485,225	2,246,620

The notes on pages 40 to 86 are an integral part of these financial statements.

# Statement of changes in equity

for the year ended 31 December 2010



	Note	Share capital RM	<i>Distributable</i> Retained earnings RM	Total equity RM
<b>At 1 January 2009</b>		52,731,300	2,607,384	55,338,684
Total comprehensive income for the year		-	2,246,620	2,246,620
Dividend to owners of the Company	20	-	(2,636,565)	(2,636,565)
<b>At 31 December 2009</b>		<u>52,731,300</u>	<u>2,217,439</u>	<u>54,948,739</u>
Total comprehensive income for the year		-	4,485,225	4,485,225
Dividend to owners of the Company	20	-	(2,636,565)	(2,636,565)
<b>At 31 December 2010</b>		<u>52,731,300</u>	<u>4,066,099</u>	<u>56,797,399</u>

The notes on pages 40 to 86 are an integral part of these financial statements.

# Statement of Cash Flow

for the year ended 31 December 2010



	Note	2010 RM	2009 RM
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		5,368,558	3,129,953
Adjustments for :			
Dividend income from a subsidiary	15	(5,292,136)	(3,533,333)
Interest income	15	(11,014)	-
Operating profit/(loss) before working capital changes		65,408	(403,380)
Changes in working capital :			
Other receivables		(58,944)	-
Other payables		1,070,972	(1,305,283)
Cash generated from/(used in) operating activities		1,077,436	(1,708,663)
Interest received		11,014	-
Dividend received		2,650,000	4,350,000
<b>Net cash from operating activities</b>		3,738,450	2,641,337
<b>Cash flows from investing activities</b>			
Subscription of shares in a subsidiary		(2)	-
Increase in investments in an existing subsidiary		(69,000)	-
<b>Net cash used in investment activities</b>		(69,002)	-
<b>Cash flows from financing activity</b>			
Dividends paid to owner of the Company		(2,636,565)	(2,636,565)
<b>Net cash used in financing activity</b>		(2,636,565)	(2,636,565)

# Statement of Cash Flow

for the year ended 31 December 2010 (Cont'd)



	2010 RM	2009 RM
Net increase in cash and cash equivalents	1,032,883	4,772
Cash and cash equivalents at 1 January	19,535	14,763
<b>Cash and cash equivalents at 31 December</b>	<b>1,052,418</b>	<b>19,535</b>

## NOTE

### *Cash and cash equivalents*

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2010 RM	2009 RM
Fixed deposits with licensed banks	8	1,000,000	-
Cash and bank balances	8	52,418	19,535
		<b>1,052,418</b>	<b>19,535</b>

The notes on pages 40 to 86 are an integral part of these financial statements.

# Notes to the Financial Statements



Ewein Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows :

## **Registered office**

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

## **Principal place of business**

Plot 318, Tingkat Perusahaan 3  
MK 1, Kawasan Perusahaan Prai  
13600 Prai, Penang

The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the Group and individually referred to as "Group entities") and the Group's interest in an associate. The financial statements of the Company as at and for the year ended 31 December 2010 do not include other entities.

The principal activity of the Company is investment holding whilst the principal activities of its subsidiaries are as stated in Note 4 to the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 April 2011.

## **1. Basis of preparation**

### **(a) Statement of compliance**

These financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group and the Company:

#### ***Amendments effective for annual periods beginning on or after 1 March 2010***

- Amendments to FRS 132, *Financial Instruments: Presentation - Classification of Rights Issues* \*

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010***

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment* \*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations* \*
- Amendments to FRS 138, *Intangible Assets* \*
- IC Interpretation 12, *Service Concession Agreements* \*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation* \*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners* \*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011***

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions* \*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers* \*
- Improvements to FRSs (2010)

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011***

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement #*

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012***

- FRS 124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate #*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011 except for those marked “\*\*” which are not applicable to the Group and to the Company; and
- from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for those marked “#” which are not applicable to the Group and to the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impact to the current and prior periods financial statements upon their first adoption.

The initial application of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group and of the Company.

Following the announcement by the MASB on 1 August 2008, the Group's financial statements will be prepared in accordance with the International Financial Reporting Standards (IFRS) framework for annual periods beginning on 1 January 2012. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

## 1. Basis of preparation (continued)

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

### (d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs 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.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group entities other than those disclosed in the following notes:

- Note 2(c) - Financial instruments
- Note 2(e) - Leased assets
- Note 2(h) - Receivables
- Note 2(n) - Borrowing costs
- Note 2(q) - Operating segments

## 2. Significant accounting policies (continued)

### (a) Basis of consolidation

#### (i) *Subsidiaries*

Subsidiaries are entities, including unincorporated 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. Subsidiaries are consolidated using the acquisition method of accounting except for MBM Industries Sdn. Bhd. ("MBMI").

The acquisition of MBMI is accounted for using reverse acquisition accounting principles in accordance with Financial Reporting Standard ("FRS") 3, Business Combinations. Upon completion of the acquisition of MBMI, the Company became the legal parent company of MBMI. However, due to the relative value of MBMI, the former shareholders of MBMI became the majority shareholders of the Company. Further, the Company's continuing operations and management are those of MBMI. Accordingly, the substance of the business combination is that MBMI acquired the Company in a reverse acquisition. The reverse acquisition was assumed to have been prepared in the name of the legal parent; i.e. the Company, but it represents a combination of the statement of financial position of the legal subsidiary, MBMI, which is deemed to be the acquirer.

Under the acquisition method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale.

#### (ii) *Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

## 2. Significant accounting policies (continued)

### (a) Basis of consolidation (continued)

#### (ii) Associates (continued)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale.

#### (iii) Changes in Group composition

The Group treats all changes in group composition as equity transactions between the Group and its minority interests holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

#### (iv) Minority interests

Minority interests at the end of the reporting period, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group are presented in the consolidated statement of comprehensive income as an allocation of the comprehensive income for the year between minority interests and the owners of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

## 2. Significant accounting policies (continued)

### (a) Basis of consolidation (continued)

#### (v) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

### (c) Financial instruments

Arising from the adoption of FRS 139, Financial Instruments: Recognition and Measurement, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 27.

#### (i) 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 or the Company becomes 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, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (i) Initial recognition and measurement (continued)

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.

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

##### ***Financial assets***

#### (a) ***Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

#### (b) ***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.

## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (ii) Financial instrument categories and subsequent measurement (continued)

##### *Financial assets (continued)*

##### (c) *Available-for-sale financial assets*

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(f)(i)).

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (iii) 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.

#### (iv) 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 marketplace 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.

#### (v) 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 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 expires. 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 (continued)

### (d) Property, plant and equipment

#### (i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” or “other expenses” respectively in profit or loss.

#### (ii) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

## 2. Significant accounting policies (continued)

### (d) Property, plant and equipment (continued)

#### (iii) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

On other property, plant and equipment, depreciation is calculated to write-off the cost of the assets over the term of their estimated useful lives using the following principal annual rates :

	%
Leasehold land	1
Factory and other buildings	1 - 10
Plant, machinery, tools and factory equipment	10 - 20
Furniture, fittings and office equipment	8 - 20
Motor vehicles	20

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

### (e) Leased assets

#### (i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

## 2. Significant accounting policies (continued)

### (e) Leased assets (continued)

#### (ii) *Operating lease*

Leases, where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position of the Group or the Company.

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

The Group has adopted the amendment made to FRS 117, Leases in 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

### (f) Impairment

#### (i) *Financial assets*

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associate) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

## 2. Significant accounting policies (continued)

### (f) Impairment (continued)

#### (i) *Financial assets (continued)*

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

#### (ii) *Other assets*

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

## 2. Significant accounting policies (continued)

### (f) Impairment (continued)

#### (ii) *Other assets (continued)*

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### (g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## 2. Significant accounting policies (continued)

### (h) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c).

### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2(c).

### (j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### (k) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (l) Revenue and other income

#### (i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, traded discount and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

## 2. Significant accounting policies (continued)

### (l) Revenue and other income (continued)

#### (ii) *Dividend income*

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### (iii) *Interest income*

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

#### (iv) *Management fee*

Management fee is recognised when the services in relation to that have been performed.

### (m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 2. Significant accounting policies (continued)

### (m) Income tax (continued)

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

### (n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Before 1 January 2010, all borrowing costs were recognised in profit or loss using the effective interest method in the period in which they are incurred.

Following the adoption of revised FRS 123, Borrowing Costs, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (o) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## 2. Significant accounting policies (continued)

### (o) Employee benefits (continued)

#### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

### (p) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary share holders of the Company by the weighted average number of ordinary shares outstanding during the period.

### (q) Operating segments

In the previous years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### (r) Equity instruments

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently.

#### *Issue expenses*

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

# Notes to the Financial Statements (Cont'd)



## 3. Property, plant and equipment - Group

	Leasehold land RM	Factory and other buildings RM	Plant, machinery, tools and factory equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Under Construction RM	Total RM
<i>Cost</i>							
At 1 January 2009, restated	8,753,229	4,310,263	26,490,900	7,740,322	1,534,486	-	48,829,200
Additions	-	270,000	1,756,892	140,959	166,408	-	2,334,259
Disposals	-	-	-	(9,930)	(143,755)	-	(153,685)
Written off	-	-	-	(8,718)	-	-	(8,718)
At 31 December 2009/1 January 2010, restated	8,753,229	4,580,263	28,247,792	7,862,633	1,557,139	-	51,001,056
Additions	-	-	790,328	706,453	-	84,479	1,581,260
Written off	-	-	(4,150)	(11,118)	-	-	(15,268)
At 31 December 2010	8,753,229	4,580,263	29,033,970	8,557,968	1,557,139	84,479	52,567,048
<i>Accumulated depreciation</i>							
At 1 January 2009, restated	2,133,906	1,187,783	19,246,896	5,356,969	838,542	-	28,764,096
Depreciation for the year	159,523	73,044	1,079,992	587,733	249,413	-	2,149,705
Disposals	-	-	-	(9,229)	(143,755)	-	(152,984)
Written off	-	-	-	(8,154)	-	-	(8,154)
At 31 December 2009/1 January 2010, restated	2,293,429	1,260,827	20,326,888	5,927,319	944,200	-	30,752,663
Depreciation for the year	159,523	74,797	1,219,943	529,694	259,483	-	2,243,440
Written off	-	-	(3,143)	(10,467)	-	-	(13,610)
At 31 December 2010	2,452,952	1,335,624	21,543,688	6,446,546	1,203,683	-	32,982,493

# Notes to the Financial Statements (Cont'd)



## 3. Property, plant and equipment - Group (continued)

	Leasehold land RM	Factory and other buildings RM	Plant, machinery, tools and factory equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Under construction RM	Total RM
<i>Carrying amounts</i>							
At 1 January 2009, restated	6,619,323	3,122,480	7,244,004	2,383,353	695,944	-	20,065,104
At 31 December 2009, restated	6,459,800	3,319,436	7,920,904	1,935,314	612,939	-	20,248,393
At 31 December 2010	6,300,277	3,244,639	7,490,282	2,111,422	353,456	84,479	19,584,555

### 3.1 Leased plant and machinery

The aggregate net carrying amount of plant and machinery, office equipment and motor vehicles acquired under finance lease amounted to RM119,243 (2009 : RM290,927).

### 3.2 Security

Certain leasehold land, buildings and plant and machinery of the Group with an aggregate carrying amount of RM5,506,501 (2009 : RM5,841,809) are charged to licensed banks as securities for term loans granted to a subsidiary (see Note 11).

# Notes to the Financial Statements (Cont'd)



## 4. Investment in subsidiaries - Company

	2010 RM	2009 RM
Unquoted shares, at cost	103,525,625	103,456,623

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

Name of subsidiary	Principal activities	Effective ownership interest	
		2010 %	2009 %
Tekun Asas Sdn. Bhd.	Manufacturing of precision sheet metal fabricated parts used in audio, video and acoustic equipment, satellite antennas, electrical and electronics equipment, KVM switches, computer monitors and keyboards	100.00	100.00
Tekun Inovasi Sdn. Bhd.	Manufacturing of fabricated sheet metals	70.00	99.80
Precision Press Industries Sdn. Bhd.*	Design and fabrication of precision moulds, tools and dies	100.00	100.00
MBM Industries Sdn. Bhd.	Investment holding	100.00	100.00
Brightway Paradise Sdn. Bhd. *	Investment holding	66.70	66.70
Kelpen Resources Sdn. Bhd. ("KRSB")*	Investment holding	100.00	100.00
The Esplanade Park Sdn. Bhd. #	Dormant	100.00	-
<u>Subsidiary of KRSB</u>			
Kelpen Plastics Technology Sdn. Bhd.*	Manufacturing of precision plastic injection moulding products and product finishing	100.00	100.00

\* Not audited by KPMG

# Became a subsidiary of the Company on 15 November 2010. The unaudited management accounts were consolidated in the Group financial statements.

# Notes to the Financial Statements (Cont'd)



## 5. Investments - Group

	2010 RM	2009 RM
<b>Investment in an associate</b>		
Unquoted shares, at cost	513,750	513,750
<b>Other investments</b>		
- At cost less allowance for diminution in value #		
Quoted shares	-	4,172,777
Less : Allowance for diminution in value	-	(1,550,000)
	-	2,622,777
	<u>513,750</u>	<u>3,136,527</u>
<b>Other investments</b>		
-Available-for-sale financial assets		
Quoted shares, at fair value	2,218,940	-
	<u>2,732,690</u>	<u>3,136,527</u>
Market value of quoted shares	<u>2,219,000</u>	<u>2,623,000</u>

Details of the associate are as follows :

Name of associate	Country of incorporation	Principal activity	Effective ownership interest	
			2010 %	2009 %
Tele System Electronic (India) Private Limited *	India	Dormant	19.76	19.76

\* held via Brightway Paradise Sdn. Bhd.

The results of the associate have not been equity accounted for the financial year ended 31 December 2010 as the results of the associate is not significant.

# The comparative figures for other investments as at 31 December 2009 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of the exemption given in FRS 7.44AA.

## 6. Inventories - Group

	2010 RM	2009 RM
At cost :		
Raw materials	3,281,164	3,239,673
Work-in-progress	924,450	847,699
Manufactured inventories	3,975,383	3,468,364
Consumables	367,477	333,309
	<u>8,548,474</u>	<u>7,889,045</u>

The cost of inventories recognised as expense in cost of sales during the financial year amounted to RM48,617,971 (2009 : RM37,206,436).

# Notes to the Financial Statements (Cont'd)



## 7. Trade and other receivables

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
<b>Trade</b>				
Trade receivables	25,929,400	25,616,476	-	-
<b>Non-trade</b>				
Other receivables	2,396,255	1,620,263	58,944	-
Deposits	99,186	74,790	-	-
Prepayments	540,014	539,186	-	-
Amount due from an associate	957,084	1,027,984	-	-
Dividend receivable from a subsidiary	-	-	4,408,803	2,650,000
	3,992,539	3,262,223	4,467,747	2,650,000
	<u>29,921,939</u>	<u>28,878,699</u>	<u>4,467,747</u>	<u>2,650,000</u>

## 8. Cash and cash equivalents

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Fixed deposits with licensed banks	33,169,309	19,560,978	1,000,000	-
Short term deposits with licensed banks	3,000,000	12,344,163	-	-
Cash and bank balances	4,685,338	2,360,916	52,418	19,535
	<u>40,854,647</u>	<u>34,266,057</u>	<u>1,052,418</u>	<u>19,535</u>

Fixed deposits with licensed banks of the Group amounting to RM232,599 (2009 : RM226,880) are pledged as securities for borrowings granted to a subsidiary.

# Notes to the Financial Statements (Cont'd)



## 9. Share capital

	← 2010 →		← 2009 →	
	Amount RM	Number of shares	Amount RM	Number of shares
<b>Ordinary shares of RM0.50 each</b>				
Authorised :				
Balance at 1 January	100,000,000	200,000,000	50,000,000	100,000,000
Addition during the year	-	-	50,000,000	100,000,000
Balance at 31 December	<u>100,000,000</u>	<u>200,000,000</u>	<u>100,000,000</u>	<u>200,000,000</u>
<b>Issued and fully paid</b>	<u>52,731,300</u>	<u>105,462,600</u>	<u>52,731,300</u>	<u>105,462,600</u>

## 10. Reserves

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
<b>Non-distributable</b>					
Fair value reserve	10.1	557,032	-	-	-
Reverse acquisition reserve	10.2	(31,482,494)	(31,482,494)	-	-
		<u>(30,925,462)</u>	<u>(31,482,494)</u>	<u>-</u>	<u>-</u>
<b>Distributable</b>					
Retained earnings	10.3	54,079,928	47,563,391	4,066,099	2,217,439
		<u>23,154,466</u>	<u>16,080,897</u>	<u>4,066,099</u>	<u>2,217,439</u>

### 10.1 Fair value reserve

The fair value reserve relates to the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

# Notes to the Financial Statements (Cont'd)



## 10. Reserves (continued)

### 10.2 Reverse acquisition reserve

Upon completion of the acquisition of MBMI, the Company became the legal parent company of MBMI. However, due to the relative value of MBMI, the former equity holders of MBMI became the majority equity holders of the Company. Furthermore, the Company's continuing operations and management are those of MBMI. Accordingly, the substance of the business combination is that MBMI acquired the Company through a reverse acquisition.

In accordance with FRS 3, the amount recognised as issued equity instruments in the consolidated financial statements is determined by adding the cost of the business combination to the issued equity of MBMI (i.e. the legal subsidiary) immediately before the business combination. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) shall reflect the issued equity structure of the Company, including the equity instruments issued by the Company to effect the combination.

### 10.3 Retained earnings

Subject to agreement with the Inland Revenue Board, the Company has sufficient Section 108 tax credit and exempt income to frank/distribute approximately RM2,650,000 and RM822,000 respectively of its retained earnings at 31 December 2010 if paid out as dividends.

## 11. Loans and borrowings - Group

	2010 RM	2009 RM
Current, secured		
Term loans	692,819	723,515
Finance lease obligations	13,470	88,815
	706,289	812,330
Non-current, secured		
Term loans	1,442,802	2,145,084
Finance lease obligations	-	14,072
	1,442,802	2,159,156

### Security

The term loans of the Group are secured by the leasehold land, buildings, certain plant and machinery, pledged fixed deposits of the Group and are collateralised by a corporate guarantee from the Company.

Finance lease obligations amounting to RM13,470 (2009 : RM102,887) are guaranteed by the Company.

# Notes to the Financial Statements (Cont'd)



## 11. Loans and borrowings – Group (continued)

### *Finance lease obligations*

Finance lease obligations are payable as follows :

	← 2010 →			← 2009 →		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Less than 1 year	14,392	922	13,470	91,308	2,493	88,815
Between 1 - 5 years	-	-	-	14,393	321	14,072
	<u>14,392</u>	<u>922</u>	<u>13,470</u>	<u>105,701</u>	<u>2,814</u>	<u>102,887</u>

## 12. Deferred tax - Group

The recognised deferred tax assets and liabilities are attributable to the following :

	2010 RM	2009 RM
<b><i>Deferred tax assets</i></b>		
Tax loss carry-forwards	<u>611,000</u>	<u>787,000</u>
<b><i>Deferred tax liabilities</i></b>		
Property, plant and equipment - capital allowance	1,099,053	1,148,215
Provisions	-	(186,000)
	<u>1,099,053</u>	<u>962,215</u>

Deferred tax assets and liabilities are offset when there are legally enforceable rights to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

Deferred tax assets on tax loss carry-forwards are recognised to the extent that management considers it probable that future taxable profits will be available against which the tax losses can be utilised.

# Notes to the Financial Statements (Cont'd)



## 12. Deferred tax – Group (continued)

Movements in the temporary differences during the year are as follows :

	At 1 January 2009 RM	Recognised in profit or loss RM	At 31 December 2009/ 1 January 2010 RM	Recognised in profit or loss RM	At 31 December 2010 RM
<i>Deferred tax assets</i>					
Tax loss carry-forwards	(787,000)	-	(787,000)	176,000	(611,000)
<i>Deferred tax liabilities</i>					
Property, plant and equipment					
- Capital allowances	1,036,019	112,196	1,148,215	(49,162)	1,099,053
Provisions	(200,000)	14,000	(186,000)	186,000	-
	836,019	126,196	962,215	136,838	1,099,053
Total recognised in profit or loss	-	126,196	-	312,838	-

### Unrecognised deferred tax assets

Deferred tax have not been recognised in respect of the following items (stated at gross) :

	2010 RM	2009 RM (Restated)
Tax loss carry-forwards	1,435,000	5,362,000
Other temporary differences	(751,000)	(844,000)
	684,000	4,518,000

The tax loss carry-forwards and other temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

The comparative figures have been restated to reflect the revised tax loss carry-forwards and other temporary differences available to the Group.

# Notes to the Financial Statements (Cont'd)



## 13. Trade and other payables

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
<b>Trade</b>					
Trade payables		18,523,950	15,376,130	-	-
<b>Non-trade</b>					
Other payables		1,865,356	4,616,630	-	-
Accrued expenses		1,969,638	2,127,865	166,469	177,500
Amount due to subsidiaries	13.1	-	-	52,081,922	50,999,919
Amount due to a Director	13.1	373,583	373,584	-	-
		4,208,577	7,118,079	52,248,391	51,177,419
		<u>22,732,527</u>	<u>22,494,209</u>	<u>52,248,391</u>	<u>51,177,419</u>

### 13.1 Amount due to subsidiaries and a Director

The non-trade amounts due to subsidiaries and a Director are unsecured, interest-free and payable on demand.

## 14. Revenue

	2010 RM	2009 RM
<b>Group</b>		
Sale of goods	<u>117,479,204</u>	<u>97,858,324</u>
<b>Company</b>		
Dividend income	5,292,136	3,533,333
Interest income	11,014	-
Management fees	384,146	-
	<u>5,687,296</u>	<u>3,533,333</u>

### Group

Revenue represents the invoiced value of goods sold less discounts and returns.

### Company

Revenue represents dividend income, interest income and management fee received from a subsidiary.

# Notes to the Financial Statements (Cont'd)



## 15. Profit before tax

Profit before tax is arrived at :

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
After charging :				
Auditors' remuneration				
Audit fees				
- KPMG Malaysia	65,000	54,000	33,000	30,000
- Other auditors				
- Current year	17,020	16,020	-	-
- Prior year	-	(1,000)	-	-
Non-audit fees				
- KPMG Malaysia	2,000	2,000	2,000	2,000
- Local affiliates of KPMG Malaysia	21,000	19,413	-	-
- Other auditors	6,075	4,680	2,705	1,310
Depreciation of property, plant and equipment (Note 3)	2,243,440	2,149,705	-	-
Directors' emoluments				
Present Directors				
- Fees	123,000	120,000	123,000	120,000
- Other remuneration	550,266	461,860	10,500	-
Past Directors				
- Fees	-	30,000	-	30,000
Rental of premises	164,718	127,658	-	-
Loss on disposal of quoted investments	759,298	380,950	-	-
Plant and equipment written off	1,658	564	-	-
Allowance for diminution in value of other investments	-	1,550,000	-	-
Inventories written off	599,500	-	-	-
And after crediting :				
Dividend income from :				
- subsidiaries	-	-	5,292,136	3,533,333
- other investments	107,623	113,729	-	-
Gain on foreign currency exchange, net	81,512	812,172	-	-
Interest income	925,722	826,273	11,014	-
Gain on disposal of plant and equipment	-	69,749	-	-

# Notes to the Financial Statements (Cont'd)



## 15. Profit before tax (continued)

The estimated monetary value of benefits received and receivable by Directors otherwise than in cash is as follows :

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Director of the Company	4,094	26,337	-	-

## 16. Key management personnel compensation - Group

The key management personnel compensation are as follows :

	2010 RM	2009 RM
Directors :		
- Fees	123,000	150,000
- Other remuneration	550,266	461,860
- Benefits-in-kind	4,094	26,337
	677,360	638,197

## 17. Employee information - Group

	2010 RM	2009 RM
Staff costs (excluding Directors' emoluments)	13,221,523	10,962,954

Staff costs include contributions to the Employees' Provident Fund of RM519,916 (2009 : RM440,626).

## 18. Finance costs – Group

	2010 RM	2009 RM
Interest expense :		
Finance lease obligations	1,891	13,739
Bank overdraft	2,780	1,092
Term loans	121,674	152,279
	126,345	167,110

# Notes to the Financial Statements (Cont'd)



## 19. Income tax expense

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current tax expense				
- Based on results for the year	1,859,038	1,710,172	883,333	883,333
- Prior year	415,492	(516,982)	-	-
Total current tax	2,274,530	1,193,190	883,333	883,333
Deferred tax expense				
- Origination of temporary differences	316,000	180,196	-	-
- Prior year	(3,162)	(54,000)	-	-
Total deferred tax	312,838	126,196	-	-
Income tax expense	<u>2,587,368</u>	<u>1,319,386</u>	<u>883,333</u>	<u>883,333</u>

## Reconciliation of effective tax expense

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit for the year	9,172,067	9,126,722	4,485,225	2,246,620
Total tax expense	2,587,368	1,319,386	883,333	883,333
Profit excluding tax	<u>11,759,435</u>	<u>10,446,108</u>	<u>5,368,558</u>	<u>3,129,953</u>
Income tax using Malaysian tax rates at 25%	2,939,859	2,611,527	1,342,140	782,488
Non-deductible expense	451,774	332,568	79,685	100,845
Effect of tax incentive	(179,159)	(424,956)	-	-
Income not subject to tax	-	-	(538,492)	-
Effect of unrecognised deferred tax assets	(958,600)	(629,317)	-	-
Others	(78,836)	546	-	-
	<u>2,175,038</u>	<u>1,890,368</u>	<u>883,333</u>	<u>883,333</u>
Under/(Over) provision in prior year	412,330	(570,982)	-	-
Income tax expense	<u>2,587,368</u>	<u>1,319,386</u>	<u>883,333</u>	<u>883,333</u>

# Notes to the Financial Statements (Cont'd)



## 20. Dividend - Company/Group

Dividends recognised in the current year by the Company are as follows :

	Sen per share (net of tax)	Total amount RM	Date of payment
<b>2010</b>			
First and final tax exempt dividend for financial year ended 31 December 2009	2.50	<u>2,636,565</u>	20 August 2010
<b>2009</b>			
First and final tax exempt dividend for financial year ended 31 December 2008	2.50	<u>2,636,565</u>	20 August 2009
		<b>2010</b>	<b>2009</b>
Gross dividend per ordinary share (sen)		<u>2.50</u>	<u>2.50</u>

The gross dividend per ordinary share as disclosed above takes into account the first and final dividend for the financial year.

The Directors recommend a first and final tax exempt dividend of 2.50 sen per share in respect of the financial year ended 31 December 2010 subject to shareholder approval at the forthcoming Annual General Meeting of the Company. The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2011.

## 21. Related parties

21.1 For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or others entities :

- i) Subsidiaries and associate of the Company as disclosed in the financial statements.

# Notes to the Financial Statements (Cont'd)



## 21. Related parties (continued)

### ii) Related parties

- (a) Goodwill Distributions Sdn. Bhd. in which, Datin Sit Chin Leng, the spouse of Dato' Ewe Swee Kheng is a director and substantial shareholder.
- (b) Tan & Ewe, Advocates & Solicitors in which, Mr. Ewe Swee Kiat, the brother of Dato' Ewe Swee Kheng is a partner.
- (c) Mr. Ewe Swee Gin and Ms. Ewe Lay Bee being the brother and sister of Dato' Ewe Swee Kheng.

### iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include the executive Directors of the Group and of the Company.

## 21.2 Related parties transactions

### i) Transaction with subsidiaries

	<b>Company</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM</b>	<b>RM</b>
Dividend income	5,292,136	3,533,333
Management fees	384,146	-
	<u>                    </u>	<u>                    </u>

### ii) Transactions with related parties

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>RM</b>	<b>RM</b>
Rental expense	-	9,600
Purchase of consumables	-	1,141
Legal services rendered	-	6,300
Purchase of properties	-	270,000
	<u>                    </u>	<u>                    </u>

iii) There were no transactions with the key management personnel and Directors of the Company other than the remuneration package paid to them in accordance with the terms of their employment as disclosed in Note 16 to the financial statements.

iv) The non-trade balances of the Group and of the Company with related parties outstanding at the end of the reporting period are disclosed in Note 7 and Note 13 to the financial statements. All the amounts outstanding are unsecured and are expected to be settled in cash.

# Notes to the Financial Statements (Cont'd)



## 22. Operating Segment

The Group only has one reportable segment, which is the manufacturing of precision sheet metal fabricated parts, precision plastic injection moulding products and product finishing. The Group's Managing Director (the chief operating decision maker) reviews internal management reports on the reportable segment on a monthly basis.

Accordingly, information by operating segment on the Group's operations as required by FRS 8 is not presented.

### Geographical segment

Geographical segmental information has not been prepared as the Group's operations are mainly carried out in Malaysia.

## 23. Operating lease - Group

Non-cancellable operating lease rentals are payable as follows :

	<b>2010</b>	<b>2009</b>
	<b>RM</b>	<b>RM</b>
Less than 1 year	133,000	107,000
Between 1 and 5 years	71,000	144,000
	<u>204,000</u>	<u>251,000</u>

A subsidiary leased a warehouse cum office building for a period for a period of 3 years with an option to renew the lease upon the expiry of the lease period. The lease does not include contingent rentals.

## 24. Basic earnings per share - Group

The calculation of basic earnings per ordinary share is based on the net profit attributable to owners of the Company of RM9,153,102 (2009 : RM9,126,722) and the weighted average number of ordinary shares outstanding during the year of 105,462,600 (2009 : 105,462,600).

## 25. Financial instruments

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

# Notes to the Financial Statements (Cont'd)



## 25. Financial instruments (continued)

### 25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (L&R);
- (b) Available-for-sale financial assets (AFS); and
- (c) Other financial liabilities measured at amortised cost (OL).

2010	Carrying amount RM	L&R RM	AFS RM
<b>Financial assets</b>			
<b>Group</b>			
Other investments	2,218,940	-	2,218,940
Trade and other receivables	29,381,925	29,381,925	-
Cash and cash equivalents	40,854,647	40,854,647	-
	72,455,512	70,236,572	2,218,940
<b>Company</b>			
Other receivables		4,467,747	4,467,747
Cash and cash equivalents		1,052,418	1,052,418
		5,520,165	5,520,165
<b>Financial liabilities</b>			
<b>Group</b>			
Trade and other payables		22,732,527	22,732,527
Loans and borrowings		2,149,091	2,149,091
		24,881,618	24,881,618
<b>Company</b>			
Other payables		52,248,391	52,248,391

# Notes to the Financial Statements (Cont'd)



## 25. Financial instruments (continued)

### 25.2 Net gains and losses arising from financial instruments

	<b>Group 2010 RM</b>
Net gains on available-for-sale financial assets - recognised in other comprehensive income	<u>557,032</u>

### 25.3 Financial risk management

The Group has exposure to the following risks from its use of financial instrument:

- Credit risk
- Market risk
- Liquidity risk

### 25.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities.

#### **Receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

*Exposure to credit risk, credit quality and collateral*

At the end of the reporting period, there was no significant concentration of credit risk other than the trade receivables attributable to two customers which collectively accounted for approximately 65% (2009 : 58%) of the Group's gross trade receivables.

The maximum exposure to credit risk for the Group is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

# Notes to the Financial Statements (Cont'd)



## 25. Financial instruments (continued)

### 25.4 Credit risk (continued)

#### *Impairment losses*

The ageing of trade receivables as at the end of the reporting period was:

<b>Group</b>	<b>Gross RM</b>	<b>Individual impairment RM</b>	<b>Collective impairment RM</b>	<b>Net RM</b>
<b>2010</b>				
Not past due	15,933,701	-	-	15,933,701
Past due 0 - 30 days	8,217,225	-	-	8,217,225
Past due 31 – 120 days	1,444,946	-	-	1,444,946
Past due more than 120 days	333,528	-	-	333,528
	<u>25,929,400</u>	<u>-</u>	<u>-</u>	<u>25,929,400</u>
<b>2009</b>				
Not past due	17,566,857	-	-	17,566,857
Past due 0 - 30 days	6,919,244	-	-	6,919,244
Past due 31 – 120 days	609,868	-	-	609,868
Past due more than 120 days	1,262,749	(742,242)	-	520,507
	<u>26,358,718</u>	<u>(742,242)</u>	<u>-</u>	<u>25,616,476</u>

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	<b>Group</b>	
	<b>2010 RM</b>	<b>2009 RM</b>
At 1 January	742,242	742,242
Impairment loss written off	(742,242)	-
At 31 December	<u>-</u>	<u>742,242</u>

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivables directly.

## 25. Financial instruments (continued)

### 25.4 Credit risk (continued)

#### **Investments and other financial assets**

##### *Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have good credit rating. There were no transactions involving derivative financial instruments entered into by the Group.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Group invested in both domestic and foreign securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position. Management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

#### **Financial guarantees**

##### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

##### *Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounted to RM6,253,000 (2009 : RM6,665,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

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

### 25.5 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's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

# Notes to the Financial Statements (Cont'd)



## 25. Financial instruments (continued)

### 25.5 Liquidity risk (continued)

#### *Maturity analysis*

The table below summarises the maturity profile of the Group and the Company financial liabilities as at the end of the reporting period based on undiscounted contractual payments :

	Carrying amount RM	Contractual interest rates %	Contractual cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
<b>2010</b>							
<b>Group</b>							
<i>Non-derivative financial liabilities</i>							
Finance lease obligations	13,470	2.30 - 2.54	14,392	14,392	-	-	-
Term loans	2,135,621	5.35 - 5.60	2,148,061	705,109	295,658	270,000	877,294
Trade and other payables	22,732,527	-	22,732,527	22,732,527	-	-	-
	<u>24,881,618</u>	-	<u>24,894,980</u>	<u>23,452,028</u>	<u>295,658</u>	<u>270,000</u>	<u>877,294</u>
<b>2010</b>							
<b>Company</b>							
<i>Non-derivative financial liabilities</i>							
Other payables	<u>52,248,391</u>	-	<u>52,248,391</u>	<u>52,248,391</u>	-	-	-

## 25. Financial instruments (continued)

### 25.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

#### 25.6.1 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The Group's exposure to interest rate risk is also extended to interest earning deposits placed with licensed banks. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives policies and processes for managing the risk*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

*Exposure to interest rate risk*

The Group's exposure to interest rate risk on variable rate instruments is insignificant as the Group does not have any significant interest-bearing financial liabilities and interest-earning financial assets.

#### 25.6.2 Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency to the Group entities. The currency giving rise to this risk is primarily the US Dollar ("USD").

*Risk management objectives, policies and processes for managing the risk*

The Group does not hedge these exposures by purchasing forward currency contracts at present given the current market condition and the net exposure is not significant. Where necessary, the Board will review this policy when the need arises in the future.

# Notes to the Financial Statements (Cont'd)



## 25. Financial instruments (continued)

### 25.6 Market risk (continued)

#### 25.6.2 Foreign currency risk (continued)

##### *Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	<b>2010 RM'000</b>
<b>Group</b>	
Amounts denominated in USD :	
Trade and other receivables	954
Trade and other payables	(103)
Cash and bank balances	2,883
<b>Net exposure in the statement of financial position</b>	<u>3,734</u>

##### *Currency risk sensitivity analysis*

A 5% change of the Ringgit Malaysia ("RM") against the US Dollar at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant.

	<b>Increase/ (decrease) in foreign exchange rate</b>	<b>Profit or loss  RM'000</b>
<b>Group</b>		
<b>2010</b>		
USD	5% (5%)	187 <u>(187)</u>

#### 25.6.3 Other price risk

Equity price risk arises from the Group's investments in equity securities.

##### *Risk management objectives, policies and processes for managing the risk*

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and buy and sell decisions, where significant, are approved by the Board of Directors of the Company.

## 26 Financial instruments (continued)

### 25.6 Market risk (continued)

#### 25.6.3 Other price risk (continued)

##### *Equity price risk sensitivity analysis*

The management is of the view that the results of the Group is not sensitive towards changes in equity price risk as there are no equity investments being designated as fair value through profit or loss. Changes in equity price for equity investments designated as available-for-sale are not significant to the total equity of the Group.

### 25.7 Fair value of financial instruments

The carrying amounts approximate fair value due to the relatively short term nature of these financial instruments in respect of cash and cash equivalents, receivables, payables and short term borrowings.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable market prices and the inability to estimate the fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows :

	← 2010 →		← 2009 →	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Quoted shares	2,219	2,219	2,623	2,623
Term loans	2,135	2,135	2,868	2,868
Finance lease obligations				
	13	13	103	103

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

##### *Investment in equity securities*

The fair value of the quoted shares is determined by reference to their quoted closing bid price at the end of the reporting period.

##### *Non-derivative financial liabilities*

The carrying amount of the term loans approximates the fair value as there is no significant difference between the historical interest rates at the point when the liabilities were undertaken and the current prevailing market interest rates. For finance lease obligations, the market rate of interest is determined by reference to similar lease arrangements.

## 26. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

## 27. Significant changes in accounting policies

### ***FRS 139, Financial Instruments: Recognition and Measurement***

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

#### *Investments in equity securities*

Prior to the adoption of FRS 139, investments in non-current equity securities, other than investments in subsidiaries and associates were stated at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investments in subsidiaries and associate are now categorised and measured as available-for-sale as detailed in Note 2(c).

#### *Financial guarantee contracts*

Prior to the adoption of FRS 139, financial guarantee contracts were not recognised in the statement of financial position unless it becomes probable that the guarantee may be called upon. With the adoption of FRS 139, financial guarantee contracts are now recognised initially at their fair values and subsequently stated at their initially measured amount less cumulative amortisation. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made.

#### *Impairment of trade and other receivables*

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the differences between the asset's carrying amount and the present value of estimated future cash flows discounted at the assets' original effective interest rate.

The adoption of FRS 139 in regards to the impairment of trade and other receivables did not have a significant impact on the financial statements of the Group and no adjustments were necessary arising from remeasuring the financial instruments at the beginning of the financial year to be adjusted against the opening balance of retained earnings or another appropriate reserve.

## 27. Significant changes in accounting policies (continue)

### ***FRS 123, Borrowing Costs (revised)***

Before 1 January 2010, borrowing costs were all expensed to profit or loss as and when they were incurred. With the adoption of FRS 123, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset as part of the cost of the asset for which the commencement date of capitalisation is on or after 1 January 2010.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions of FRS 123. Hence, the adoption of FRS 123 does not affect the basic earnings per ordinary share for prior periods and has no material impact to current year's basic earnings per ordinary share.

### ***FRS 101 (revised), Presentation of Financial Statements***

The Group applies revised FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

### ***FRS 117, Leases***

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance is finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the profit or loss of the Group for the current and prior periods.

## 28. Comparative figures

### ***FRS 101, Presentation of Financial Statements (revised)***

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 December 2009 have been re-presented as statements of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

# Notes to the Financial Statements (Cont'd)



## 28. Comparative figures (continued)

### FRS 117, Leases

Following the adoption of FRS 117, certain comparatives have been re-presented as follows:

Group	31.12.2009		1.1.2009	
	As restated RM	As previously reported RM	As restated RM	As previously reported RM
	Carrying amount			
Property, plant and equipment	20,248,393	13,788,593	20,065,104	13,445,781
Prepaid lease payments	-	6,459,800	-	6,619,323

## 29. Subsequent event

Subsequent to the end of the reporting period, the Company acquired 50% of the equity interest in M-Itech Sdn Bhd ("M-Itech") for total cash consideration of RM2,250,000. Upon completion of the acquisition, M-Itech will become an associate of the Company.

## 30. Supplementary information – Breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2010 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>Group 2010 RM</b>	<b>Company 2010 RM</b>
<b>Total retained earnings of the Company and its subsidiaries:</b>		
- Realised	55,001,622	4,066,099
- Unrealised	(488,053)	-
	<hr/> 54,513,569	<hr/> 4,066,099
 Add: Consolidation adjustments	 (433,641)	 -
 <b>Total retained earnings</b>	 <hr/> <u>54,079,928</u>	 <hr/> <u>4,066,099</u>

Comparative figures are not required in the first year of implementation of Bursa Malaysia Securities Berhad's directives.

# Statement by Directors Pursuant to Section 169(15) of the Companies Act, 1965

ewein

In the opinion of the Directors, the financial statements set out on pages 6 to 64 are 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 at 31 December 2010 and of its financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 30 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1 Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad's Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

.....  
**Dato' Ewe Swee Kheng**

.....  
**Chuah Poh Lim**

Penang,

Date : 28 April 2011

# Statutory Declaration Pursuant to Section 169(16) of the Companies Act, 1965

ewein

I, **Dato' Ewe Swee Kheng**, the Director primarily responsible for the financial management of Ewein Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 65 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 above named at Georgetown in the State of Penang on 28 April 2011.

.....  
**Dato' Ewe Swee Kheng**

Before me :

Cheah Beng Sun  
(No. P103)  
DJN, AMN, PKT, PJK, PJM, PK  
Pesuruhjaya Sumpah  
(Commissioner for Oaths)

# Independent auditors' report to members of Ewein Berhad (Company No. 742890-W) (Incorporated in Malaysia) Report on the Financial Statements



We have audited the financial statements of Ewein Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 64.

## *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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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 of 31 December 2010 and of their financial performance and cash flows for the year then ended.

## **Report on Other Legal and Regulatory Requirements**

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 4 to the financial statements.
- c) 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.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## **Other Reporting Responsibilities**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 30 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad's Listing Requirements and is not part of the financial statements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad's Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

## **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.

**KPMG**  
AF 0758  
Chartered Accountants

**Ng Swee Weng**  
1414/03/12 (J/PH)  
Chartered Accountant

Date : 28 April 2011

Penang

# Group Properties



Details of the Group's landed/leased properties as at the Latest Practicable Date are set out below:

Name of registered owner/beneficial owner	Postal address and/or identification	Description/ Existing use	Approximate age of building	Tenure/ Expiry of lease	Land/ (Built-up) Area (square feet)	Restrictions in interest	Land use conditions	Major encumbrances	Date of certificate of fitness	Audited NBV as at 31.12.2010 RM
TASB	H.S. (D) 43450, P.T. 805, and H.S. (D) 27771, P.T. 807 both in Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	Headquarters and Factory	26 years	Leasehold/ P.T. 805 - 07.03.2042; P.T. 807 - 03.10.2042	79,953/ (83,504)	*	Industrial	Nil	07.03.2002, 18.10.1990, 11.11.1989, 24.1.1985	2,407,568
TASB	H.S. (D) 38123, P.T. 1090, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	Factory	25 years	Leasehold/ 07.03.2042	43,751/ (35,803)	*	Industrial	Nil	02.11.1985	1,237,500
KPTSB	H.S. (D) 36653, P.T. 2673, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	Factory	21 years	Leasehold/ 05.08.2048	38,148/ (39,297)	*	Industrial	1 Charge registered in favour of OCBC Bank (M) Berhad for term loans to KPTSB.	15.01.1990	^ 3,737,879
TASB	H.S. (D) 41591, P.T. 2684, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	Factory	21 years	Leasehold/ 01.11.2048	36,655/ (29,125)	*	Industrial	1 Charge registered in favour of OCBC Bank (M) Berhad for term loans to KPTSB.	15.01.1990	
TASB	No. 94, Jalan Ferringhi Indah 3, 11050 Pulau Pinang	2 ½ storey Bungalow/ Resort house for management	4 year	Freehold	3,391/ (1,760)	Nil	Nil	Assigned to RHB Bank Bhd.	15.02.2007	456,270
TASB	H.S.(D) 49827, Lot 4409, Mukim 16, Seberang Perai Tengah, Pulau Pinang (28, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,076/ (807)	Nil	Building	Nil	02.02.2000	85,724
TASB	H.S.(D) 49856, Lot 4438, Mukim 16, Seberang Perai Tengah, Pulau Pinang (31, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,076/ (807)	Nil	Building	Nil	02.02.2000	80,913
TASB	H.S.(D) 49855, Lot 4437, Mukim 16, Seberang Perai Tengah, Pulau Pinang (33, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,100/ (807)	Nil	Building	Nil	02.02.2000	80,913
TASB	H.S.(D) 49854, Lot 4436, Mukim 16, Seberang Perai Tengah, Pulau Pinang (35, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,100/ (807)	Nil	Building	Nil	02.02.2000	80,913

# Group Properties (Cont'd)

Name of registered owner/beneficial owner	Postal address and/or identification	Description/ Existing use	Approximate age of building	Tenure/ Expiry of lease	Land/ (Built-up) Area (square feet)	Restrictions in interest	Land use conditions	Major encumbrances	Date of certificate of fitness	Audited NBV as at 31.12.2010 RM
TASB	H.S.(D) 49853, Lot 4435, Mukim 16, Seberang Perai Tengah, Pulau Pinang (37, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,100/ (807)	Nil	Building	Nil	02.02.2000	80,913
TASB	H.S.(D) 49852, Lot 4434, Mukim 16, Seberang Perai Tengah, Pulau Pinang (39, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,076/ (807)	Nil	Building	Nil	02.02.2000	80,913
TASB	H.S.(D) 49835, Lot 4417, Mukim 16, Seberang Perai Tengah, Pulau Pinang (44, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,100/ (807)	Nil	Building	Nil	02.02.2000	80,913
TASB	H.S.(D) 49836, Lot 4418, Mukim 16, Seberang Perai Tengah, Pulau Pinang (46, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,100/ (807)	Nil	Building	Nil	02.02.2000	80,913
TASB	H.S.(D) 49837, Lot 4419, Mukim 16, Seberang Perai Tengah, Pulau Pinang (48, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,100/ (807)	Nil	Building	Nil	02.02.2000	80,913
TASB	H.S.(D) 49838, Lot 4420, Mukim 16, Seberang Perai Tengah, Pulau Pinang (50, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,100/ (807)	Nil	Building	Nil	02.02.2000	80,913
TASB	H.S.(D) 49845, Lot 4427, Mukim 16, Seberang Perai Tengah, Pulau Pinang (53, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,100 / (807)	Nil	Building	Nil	02.02.2000	80,913
TASB	H.S.(D) 49844, Lot 4426, Mukim 16, Seberang Perai Tengah, Pulau Pinang (55, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11years	Freehold	1,100/ (807)	Nil	Building	Nil	02.02.2000	80,913

# Group Properties (Cont'd)

Name of registered owner/beneficial owner	Postal address and/or identification	Description/Existing use	Approximate age of building	Tenure/Expiry of lease	Land/(Built-up) Area (square feet)	Restrictions in interest	Land use conditions	Major encumbrances	Date of certificate of fitness	Audited NBV as at 31.12.2010 RM
TASB	H.S.(D) 49843, Lot 4425, Mukim 16, Seberang Perai Tengah, Pulau Pinang (57, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,100/ (807)	Nil	Building	Nil	02.02.2000	80,913
TASB	H.S.(D) 49842, Lot 4424, Mukim 16, Seberang Perai Tengah, Pulau Pinang (59, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,100/ (807)	Nil	Building	Nil	02.02.2000	80,913
TASB	H.S.(D) 49842, Lot 4424, Mukim 16, Seberang Perai Tengah, Pulau Pinang (24, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,100/ (807)	Nil	Building	Nil	02.02.2000	88,781
TASB	H.S.(D) 49842, Lot 4424, Mukim 16, Seberang Perai Tengah, Pulau Pinang (32, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,100/ (807)	Nil	Building	Nil	02.02.2000	88,781
TASB	H.S.(D) 49842, Lot 4424, Mukim 16, Seberang Perai Tengah, Pulau Pinang (22, Lorong Bidara 23, 14020, Bukit Mertajam)	Single storey terrace house/ Staff quarters	11 years	Freehold	1,100/ (807)	Nil	Building	Nil	02.02.2000	88,739

# Analysis of Shareholdings

as at 8 April 2011



Authorised Share Capital	:	RM100,000,000.00
Issued and fully paid-up Share Capital	:	RM52,731,300.00
Class of Shares	:	Ordinary Shares of RM0.50 each
No. of Shareholders	:	1,178
Voting Rights	:	On show of hands - One vote per person On a poll - One vote for one ordinary share

## DISTRIBUTION OF SHAREHOLDERS AS AT 8 APRIL 2011

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total issued capital
Less than 100 shares	3	0.25	103	0.00
100 to 1,000 shares	793	67.32	148,097	0.14
1,001 to 10,000 shares	289	24.53	1,416,800	1.34
10,001 to 100,000 shares	75	6.37	2,738,000	2.60
100,001 to less than 5% of issued shares	16	1.36	23,002,168	21.81
5% and above of issued shares	2	0.17	78,157,432	74.11
<b>Total</b>	<b>1,178</b>	<b>100</b>	<b>105,462,600</b>	<b>100</b>

## SUBSTANTIAL SHAREHOLDERS AS AT 8 APRIL 2011

Name	<-----Number of Shares Held----->			
	Direct	%	Deemed	%
Hijauwasa Sdn. Bhd.	44,888,955	42.56	-	-
Med-Bumikar Mara Sdn. Bhd.	33,268,477	31.55	-	-
Dato' Ewe Swee Kheng	50,000	0.05	44,888,955#	42.56#
Majlis Amanah Rakyat	-	-	33,268,477	31.55

Notes:-

# Deemed interested by virtue of his substantial shareholdings in Hijauwasa Sdn. Bhd.

## DIRECTORS' SHAREHOLDINGS AS AT 8 APRIL 2011

Name	<-----Number of Shares Held----->			
	Direct	%	Deemed	%
Dato' Seri Ewe Tiong Hor	-	-	-	-
Dato' Ewe Swee Kheng	50,000	0.05	44,888,955*	42.56*
Chuah Poh Lim	85,000#	0.08#	-	-
Dato' Abdul Rahim Bin Abdul Halim	-	-	-	-
Lau Tiang Hua, DJN	-	-	-	-
Tan Sri Dato' Wong See Wah	-	-	-	-
Dato' Khor Ah Hua @ Khor Choo Fong	-	-	-	-

Note:-

\* Deemed interested by virtue of his substantial shareholdings in Hijauwasa Sdn. Bhd.

# 85,000 shares are held through A.A. Anthony Nominees (Tempatan) Sdn. Bhd.

# Thirty Largest Shareholders

as at 8 April 2011



	<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>%</b>
1.	HIJAUWASA SDN BHD	44,888,955	42.56
2.	MED-BUMIKAR MARA SDN BHD	33,268,477	31.55
3.	A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD FOR SIM CHUNG SENG	4,941,890	4.69
4.	A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD FOR CHOONG KHUAT SENG	4,941,791	4.69
5.	A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD FOR LEE TOONG LEON	4,069,612	3.86
6.	A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD FOR LIM HONG SAN	2,675,775	2.54
7.	SP METALTECH SDN. BHD.	2,400,000	2.28
8.	WONG WEI KHIN	1,200,000	1.14
9.	GAGASAN ANGGUN SDN BHD	550,000	0.52
10.	ANG SOO KWANG	473,000	0.45
11.	ANG SWEE BENG	473,000	0.45
12.	LEE SIEW PEI	319,000	0.30
13.	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW SENG KEE	290,000	0.28
14.	CHEW SOON KEONG	160,500	0.15
15.	TAN KIM SAN	155,000	0.15
16.	ENG KHOON GUAN	130,000	0.12
17.	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR TEH TEAW KEE	114,600	0.11
18.	LOW POH BENG	108,000	0.10
19.	FEDERAL REALTY COMPANY SDN BHD	100,000	0.09
20.	SREEKUMAR A/L P NARAYANA PILLAI	100,000	0.09
21.	SP MASTERTOOL SDN. BHD.	100,000	0.09
22.	A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD FOR CHUAH POH LIM	85,000	0.08
23.	SIT CHIN SIONG	85,000	0.08
24.	NG HOUN FOON	83,000	0.08
25.	CHAN GOOI YEW	80,000	0.08
26.	CITIGROUP NOMINEES (ASING) SDN BHD GOLDMAN SACHS INTERNATIONAL	79,000	0.07
27.	TEH TEAW KEE	78,000	0.07
28.	CHEW SOON KEONG	77,000	0.07
29.	TAN SIEW TUAN	72,900	0.07
30.	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI CHIN SIN (M11)	64,000	0.06

# Notice of Fifth Annual General Meeting



NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of the Company will be held at Burma Room, Lobby Level Evergreen Laurel Hotel, 53 Persiaran Gurney, 10250 Penang on Thursday, 26 May 2011 at 10.00 a.m. for the following purposes :-

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of a first and final tax exempt dividend of 2.5 sen per share for the financial year ended 31 December 2010. **Ordinary Resolution 1**
3. To approve the payment of Director's fee of RM110,000.00 for the financial year ended 31 December 2010. **Ordinary Resolution 2**
4. To re-elect Mr Chuah Poh Lim, the Deputy Managing Director who retires in accordance with Article 114(1) of the Company's Articles of Association. **Ordinary Resolution 3**
5. To re-elect Dato' Abdul Rahim Bin Abdul Halim, the Independent Non-Executive Director who retires in accordance with Article 114(1) of the Company's Articles of Association. **Ordinary Resolution 4**
6. To consider and, if thought fit, to pass the following resolution pursuant to Section 129 of the Companies Act, 1965:-

"That Dato' Seri Ewe Tiong Hor, the Non-Independent Non-Executive Chairman who retires in accordance with Section 129(2) of the Companies Act, 1965, be hereby re-appointed as Director of the Company in accordance with Section 129(6) of the Companies Act, 1965 to hold office until the next Annual General Meeting."

**Ordinary Resolution 5**

7. To re-appoint Messrs KPMG as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

### As special business :

To consider and if thought fit, to pass with or without modifications the following ordinary resolutions :-

#### 8.(i) **ORDINARY RESOLUTION AUTHORITY TO ISSUE SHARES**

"That pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at such time and upon such terms and conditions and 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 in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

**Ordinary Resolution 7**

#### (ii) **SPECIAL RESOLUTION PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

"That the amendments to the Articles of Association of the Company contained in *Appendix I* be and are hereby approved."

**Special Resolution 1**

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

# Notice of Fifth Annual General Meeting (Cont'd)



By Order of the Board,

**Chee Wai Hong (MIA 17181)**

Company Secretary  
Penang

Date: 3 May 2011

Notes:

1. *A proxy may but need not be a member of the Company and the proxy need not be an advocate or an approved company auditor or a person approved by the Registrar of Companies and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
2. *To be valid this form duly completed must be 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 for holding the meeting.*
3. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.*
4. *Where a member appoints more than one (1) proxy, the appointment 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.*

### ***Explanatory Note on Special Business***

#### **Ordinary Resolution 7 – Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**

The proposed Ordinary Resolution 7, 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 Fourth Annual General Meeting held on 25 May 2010 and which will lapse at the conclusion of the Fifth Annual General Meeting to be held on 26 May 2011. A renewal of this authority is being sought at the Fifth Annual General Meeting under proposed ordinary Resolution 7.

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).

#### **Special Resolution 1**

The proposed Special Resolution 1, if passed, will give authority for the Company to amend its Articles of Association in order to align with the amendments of the Listing Requirements pursuant to the directive from Bursa Malaysia Securities Berhad on the implementation of payment of electronic cash dividend, for clarification and enhancements and, where relevant, to render consistency throughout the Articles.

### **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.

## SPECIAL RESOLUTION

### PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"That the following existing Article 179 of the Articles of Association of the Company be hereby deleted in its entirety:-

179. Any dividend, interest or other money payable in cash in respect of securities may be paid by cheque or warrant and sent through the post directed to the registered address of the depositor appearing in the Record of Depositors. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the depositor entitled to the security in consequence of the death or bankruptcy of the depositor may direct and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.

and be replaced with a new Article 179 which reads as follows:-

- 179 (1) Any dividend, interest or other money payable in cash in respect of securities may be paid by **way of telegraphic transfer or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment ("eDividend"), direct debit, bank transfer, cheque or warrant or via any other mode or manner as may be prescribed by the Act, Listing Requirements of Bursa Securities and any other relevant authority for the time being in force.**
- (2) **In the event that a member has not provided his bank account details to the Depository, any dividend, interest or other moneys payable in cash in respect of a share may be paid by cheque, bank draft, dividend warrant or postal order (in the case of a cheque, bank draft, dividend warrant or postal order for such payment) and sent through the post directed to the registered address of the depositor appearing in the Record of Depositors.**
- (3) Every such cheque or warrant **or telegraphic transfer or electronics transfer or remittance** shall be made payable to the order of the person to whom it is sent or to such person as the depositor entitled to the security in consequence of the death or bankruptcy of the depositor may direct and the payment of any such cheque or warrant **or telegraphic transfer or electronics transfer or remittance** shall operate as a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant **or telegraphic transfer or electronics transfer or remittance** shall be sent at the risk of the person entitled to the money thereby represented. **The Company shall not be responsible for any inaccurate details supplied by the members or any errors, delay or power or electronic failure encountered during or in the course of transmission of data or payment or for any loss of any such eDividend, cheque, bank draft, dividend warrant or postal order (whether in the bank account transfer, post, while being delivered by courier or by hand, after bank account transferring and/or delivering to the relevant address or person or otherwise). No unpaid or unclaimed dividend or interest shall bear interest as against the Company."**

# Notice of Dividend Entitlement



NOTICE IS HEREBY GIVEN that a First and Final Tax Exempt Dividend of 2.5 sen per share in respect of the financial year ended 31 December 2010, if approved, will be paid on 19 August 2011 to depositors registered in the Record of Depositors at the close of business on 20 July 2011.

A depositor shall qualify for entitlement to the Dividend only in respect of:

- a. Shares transferred into the depositor's securities account before 4.00 p.m. on 20 July 2011 in respect of transfers.
- b. Shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board,

**Chee Wai Hong (MIA 17181)**  
Company Secretary  
Penang

Date: 3 May 2011

# Proxy Form

**EWEIN BERHAD**  
(COMPANY NO: 742890-W)



\* I / We .....  
(Full Name in Block Letters)

of .....  
(Address)

being a \* member / members of the abovenamed Company, hereby appoint .....  
(Full Name in Block Letters)

of .....  
(Address)

or failing him, .....  
(Full Name in Block Letters)

of .....  
(Address)

as \* my / our proxy to vote for \* me / us on \* my / our behalf at the Fifth Annual General Meeting of the Company to be held at Burma Room, Lobby Level, Evergreen Laurel Hotel, 53 Persiaran Gurney, 10250 Penang on Thursday, 26 May 2011 at 10.00 a.m. and any adjournment thereof.

## AGENDA

1.	To receive the Audited Financial Statements for the year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon		
		<b>For</b>	<b>Against</b>
<b>Resolutions</b>			
<b>Ordinary Business:</b>			
2.	Approval on payment of a first and final tax exempt dividend of 2.5 sen per share for the financial year ended 31 December 2010		
3.	Approval of payment of Directors' fees for the financial year ended 31 December 2010		
4.	Re-election of Mr Chuah Poh Lim as Director		
5.	Re-election of Dato' Abdul Rahim Bin Abdul Halim as Director		
6.	Re-appointment of Dato' Seri Ewe Tiong Hor as Director		
7.	Re-appointment of Messrs. KPMG as Auditors and to authorise the Directors to fix the Auditors' remuneration		
<b>Special Business:</b>			
8.	(i) Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares		
	(ii) Proposed Amendments to the Articles of Association of the Company		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction for voting is given, the proxy may vote as he thinks fit.

No. of shares held

Signed this ..... day of ..... , 2011.

.....  
Signature of Member(s)

### Notes:

1. A proxy may but need not be a member of the Company and the proxy need not be an advocate or an approved company auditor or a person approved by the Registrar of Companies and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. To be valid this form duly completed must be 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 for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointment 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 line and close*

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Stamp

The Company Secretary

# **EWAIN BERHAD**

**(COMPANY NO: 742890-W)**

51-13-A Menara BHL Bank,  
Jalan Sultan Ahmad Shah, 10050 Penang

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*Please fold across the line and close*