ORNAPAPER BERHAD

(573695-W)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2010

573695-W

Ornapaper Berhad
(Incorporated in Malaysia)

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Ornapaper Berhad
(Incorporated in Malaysia)

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

Principal activities

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are manufacturing and sale of corrugated boards and carton boxes.

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

Results

	Group RM'000	Company RM'000
Profit for the year, net of tax	4,658	89
Profit attributable to:		
Owners of the parent	4,589	89
Minority interests	69	-
	4,658	89

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policies due to the adoption of Financial Reporting Standard ("FRS") 139 Financial Instruments: Recognition and Measurement which resulted in the Group's profit net of tax decreasing by RM129,000 as disclosed in Note 2.2(c) to the financial statements.

Dividend

No dividend was paid or declared by the Company since 31 December 2009. The directors do not propose any final dividend to be paid in respect of the current financial year.

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Ornapaper Berhad
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Directors

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

Sai Chin Hock
See Wan Seng
Ang Kwee Teng
Siow Kee Yen
Tuan Haji Azhar bin Nayan
Adillah binti Ahmad Nordin
Lim Tau Lih (retired on 29 June 2010)

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 30 to the financial statements.

Directors' interests

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

	Number of ordinary shares of RM1 each			
	1.1.2010	**Acquired**	**Sold**	**31.12.2010**
Direct interest				
Sai Chin Hock	846,400	-	-	846,400
Ang Kwee Teng	10,000	-	-	10,000
Siow Kee Yen	130,500	100,000	-	230,500
Tuan Haji Azhar bin Nayan	25,000	-	-	25,000
Adillah binti Ahmad Nordin	14,000	-	-	14,000

Directors' interests (continued)

	Number of ordinary shares of RM1 each			
	1.1.2010	**Acquired**	**Sold**	**31.12.2010**
Indirect interest				
Sai Chin Hock	22,305,798	-	-	22,305,798
Ang Kwee Teng	18,634,888	-	-	18,634,888
See Wan Seng	18,634,888	-	-	18,634,888

Sai Chin Hock, Ang Kwee Teng and See Wan Seng, by virtue of their interests in shares in the Company, are also deemed interested in shares in all the Company's subsidiaries to the extent that the Company has an interest.

Other statutory information

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

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

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

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

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

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

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

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

Other statutory information (continued)

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

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

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

(f) In the opinion of the directors:-

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

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

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2011.

Sai Chin Hock　　　　Ang Kwee Teng

Melaka, Malaysia

Ornapaper Berhad
(Incorporated in Malaysia)

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

We, Sai Chin Hock and Ang Kwee Teng, being two of the directors of Ornapaper Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 71 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 as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

The information set out in Note 40 on page 72 to the financial statements have been prepared in accordance with the 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.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2011.

Sai Chin Hock

Ang Kwee Teng

Melaka, Malaysia

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

I, Sai Chin Hock, being the director primarily responsible for the financial management of Ornapaper Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 71 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Sai Chin Hock at Melaka
in the State of Melaka on 22 April 2011

Sai Chin Hock

Before me,

ONG KAN SAN
Commissioner for Oaths

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Independent auditors' report to the members of Ornapaper Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Ornapaper Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 December 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 71.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 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 by 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 financial statements and the auditors' report of the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.

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

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

Other matters

The supplementary information set out in Note 40 on page 72 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Independent auditors' report to the members of Ornapaper Berhad (continued)

Other matters (continued)

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

Ernst & Young	Lee Ah Too
AF: 0039	2187/09/11(J)
Chartered Accountants	Chartered Accountant

Melaka, Malaysia
Date: 22 April 2011

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Ornapaper Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Continuing operations					
Revenue	4	216,517	156,461	451	1,560
Cost of sales		(181,776)	(125,769)	-	-
Gross profit		34,741	30,692	451	1,560
Other items of income					
Interest income	5	11	8	-	-
Other income	6	952	931	-	1
Other items of expense					
Administrative expenses		(7,326)	(6,966)	(262)	(247)
Selling and marketing expenses		(12,507)	(10,302)	(4)	(4)
Finance costs	7	(3,136)	(3,044)	-	-
Other expenses		(5,876)	(5,161)	(89)	(92)
Profit before tax	8	6,859	6,158	96	1,218
Income tax expense	11	(2,201)	(1,352)	(7)	(5)
Profit, net of tax, representing total comprehensive income for the year		4,658	4,806	89	1,213
Profit attributable to:					
Owners of the parent		4,589	4,605	89	1,213
Minority interests		69	201	-	-
		4,658	4,806	89	1,213
Earnings per share attributable to owners of the parent (sen)					
Basic	12	6.1	6.1		
Diluted	12	6.1	6.1		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Ornapaper Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2010

Group	Note	31.12.2010 RM'000	31.12.2009 RM'000 (restated)	1.1.2009 RM'000 (restated)
Assets				
Non-current assets				
Property, plant and equipment	13	86,194	83,420	83,072
Land use rights	14	3,726	3,837	3,948
Goodwill	16	1,633	1,633	1,633
Investment securities	17	244	254	254
		91,797	89,144	88,907
Current assets				
Inventories	18	23,655	23,134	21,674
Trade and other receivables	19	58,674	64,270	62,584
Tax recoverable		597	537	432
Cash and bank balances	20	12,545	13,565	5,016
Other current assets	21	3,725	378	-
		99,196	101,884	89,706
Assets held for sale	22	440	-	-
		99,636	101,884	89,706
Total assets		191,433	191,028	178,613
Equity and liabilities				
Current liabilities				
Borrowings	23	53,837	59,910	60,137
Trade and other payables	24	25,866	21,418	12,965
Current tax payable		313	297	330
		80,016	81,625	73,432
Net current assets		*19,620*	*20,259*	*16,274*
Non-current liabilities				
Borrowings	23	6,103	6,139	6,008
Deferred tax liabilities	25	2,946	3,113	3,075
Non-current liabilities		9,049	9,252	9,083
Total liabilities		89,065	90,877	82,515
Net assets		*102,368*	*100,151*	*96,098*

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Ornapaper Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2010

Group	**Note**	**31.12.2010 RM'000**	**31.12.2009 RM'000 (restated)**	**1.1.2009 RM'000 (restated)**
Equity attributable to owners of the parent				
Share capital	26	75,251	75,251	75,251
Share premium	27	11,156	11,156	11,156
Retained earnings	28	15,356	13,208	9,356
		101,763	99,615	95,763
Minority interests		605	536	335
Total equity		102,368	100,151	96,098
Total equity and liabilities		191,433	191,028	178,613

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Ornapaper Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2010

Company	Note	31.12.2010 RM'000	31.12.2009 RM'000
Assets			
Non-current assets			
Investment in subsidiaries	15	75,585	75,585
		75,585	75,585
Current assets			
Trade and other receivables	19	10,780	10,731
Tax recoverable		142	86
Cash and bank balances	20	215	260
Other current assets	21	10	-
		11,147	11,077
Total assets		86,732	86,662
Equity and liabilities			
Current liabilities			
Trade and other payables	24	31	50
Total liabilities		31	50
Net current assets		*11,116*	*11,027*
Net assets		*86,701*	*86,612*
Equity attributable to owners of the parent			
Share capital	26	75,251	75,251
Share premium	27	11,156	11,156
Retained earnings	28	294	205
Total equity		86,701	86,612
Total equity and liabilities		86,732	86,662

The accompanying accounting policies and explanatory notes
form an integral part of the financial statements.

Ornapaper Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 December 2010

		Non-distributable		Distributable			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Retained earnings RM'000**	**Attributable to owners of the parent RM'000**	**Minority interests RM'000**	**Total equity RM'000**
At 1 January 2010		75,251	11,156	13,208	99,615	536	100,151
Effects of adopting FRS 139	2.2(c)	-	-	(2,441)	(2,441)	-	(2,441)
		75,251	11,156	10,767	97,174	536	97,710
Total comprehensive income		-	-	4,589	4,589	69	4,658
At 31 December 2010		75,251	11,156	15,356	101,763	605	102,368
At 1 January 2009		75,251	11,156	9,356	95,763	335	96,098
Total comprehensive income		-	-	4,605	4,605	201	4,806
Transaction with owners:							
- Dividends on ordinary shares	29	-	-	(753)	(753)	-	(753)
At 31 December 2009		75,251	11,156	13,208	99,615	536	100,151

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Ornapaper Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 December 2010

Company	Note	Non-distributable Share capital RM'000	Non-distributable Share premium RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 January 2010		75,251	11,156	205	86,612
Total comprehensive income		-	-	89	89
At 31 December 2010		75,251	11,156	294	86,701
At 1 January 2009		75,251	11,156	(255)	86,152
Total comprehensive income		-	-	1,213	1,213
Transaction with owners:					
- Dividends on ordinary shares	29	-	-	(753)	(753)
At 31 December 2009		75,251	11,156	205	86,612

The accompanying accounting policies and explanatory notes
form an integral part of the financial statements.

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Ornapaper Berhad
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Statements of cash flows
For the financial year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Operating activities					
Profit before tax		6,859	6,158	96	1,218
Adjustments for:					
Allowance for impairment loss:					
- Trade receivables	19(a)	410	746	-	-
- Other receivables	19(b)	78	-	-	-
Bad debts written off		890	19	-	-
Depreciation and amortisation:					
- Property, plant and equipment	13	6,884	6,492	-	-
- Land use rights	14	111	111	-	-
Fair value loss on investment securities designated at fair value through profit or loss		1	-	-	-
Net gain on disposal of property, plant and equipment		(99)	(272)	-	-
Reversal of allowance for impairment loss on trade receivables		(276)	(11)		
Interest expense		3,136	3,044	-	-
Interest income		(11)	(8)	-	-
Total adjustments		11,124	10,121	-	-
Operating cash flows before changes in working capital		17,983	16,279	96	1,218
Changes in working capital					
Increase in inventories		(521)	(1,460)	-	-
Increase in trade and other receivables		(2,512)	(2,817)	(59)	(222)
Increase/(decrease) in trade and other payables		4,449	8,453	(18)	18
Total changes in working capital		1,416	4,176	(77)	(204)
Cash generated from operation		19,399	20,455	19	1,014
Interest paid		(3,136)	(3,044)	-	-
Interest received		11	8	-	-
Taxes paid		(1,626)	(1,452)	(63)	(42)
Net cash flows from/(used in) operating activities		14,648	15,967	(44)	972

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Ornapaper Berhad
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Statements of cash flows
For the financial year ended 31 December 2010 (continued)

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Investing activities					
Purchase of property, plant and equipment	13(c)	(6,806)	(3,349)	-	-
Net cash outflow on acquisition of a subsidiary		-	-	(1)	-
Proceeds from disposal of property, plant and equipment		165	541	-	-
Net cash flows used in investing activities		(6,641)	(2,808)	(1)	-
Financing activities					
Drawdown/(repayment) of term loans		326	(456)	-	-
Payment of dividend	29	-	(753)	-	(753)
Repayment of finance lease payables		(3,792)	(3,274)	-	-
(Decrease)/increase in short term borrowings		(3,432)	531	-	-
Net cash flows used in financing activities		(6,898)	(3,952)	-	(753)
Net increase/(decrease) in cash and cash equivalents		1,109	9,207	(45)	219
Cash and cash equivalents at 1 January		8,350	(857)	260	41
Cash and cash equivalents at 31 December	20	9,459	8,350	215	260

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements
For the financial year ended 31 December 2010

1. Corporate information

Ornapaper 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 principal place of business is situated at No. 8998, Kawasan Perindustrian Peringkat IV, Batu Berendam, 75350 Melaka, Malaysia.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are manufacturing and sale of corrugated boards and carton boxes. There have been no significant changes in the nature of the principal activities during the financial year.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRS) and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements have also been prepared on a historical basis, unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as indicated below.

On 1 January 2010, the Group and the Company adopted, where applicable, the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010:

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

- FRS 4 Insurance Contracts
- FRS 7 Financial Instruments: Disclosures
- FRS 8 Operating Segments
- FRS 101 Presentation of Financial Statements (Revised)
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 132 Financial Instruments: Presentation
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvements to FRS issued in 2009
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- TR i-3 Presentation of Financial Statements of Islamic Financial Institutions

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and of the Company except for those discussed below.

(a) FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(a) FRS 7 Financial Instruments: Disclosures (continued)

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group and the Company's financial statements for the year ended 31 December 2010.

(b) FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Group's and the Company's objectives, policies and processes for managing capital (see Note 36).

The revised FRS 101 was adopted retrospectively by the Group and by the Company.

(c) FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company has adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(c) FRS 139 Financial Instruments: Recognition and Measurement (continued)

Equity instruments

Prior to 1 January 2010, the Group classified its investments in equity instruments which were held for non-trading purposes as non-current investments. Such investments were carried at cost less impairment losses. Upon the adoption of FRS 139, these investments, except for those whose fair value cannot be reliably measured, are designated on 1 January 2010 at fair value through profit or loss and accordingly stated at their fair values as at that date amounting to RM9,000. An adjustment of RM10,000 has been made to their previous carrying amounts and recognised as adjustment to the opening balance of retained earnings as at 1 January 2010.

Investments in equity instruments with a carrying amount of RM235,000 whose fair value cannot be reliably measured at 1 January 2010 continue to be carried at cost less impairment losses. No adjustments were made to the opening balance of retained earnings as at 1 January 2010.

Impairment of trade receivables

Prior to 1 January 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable’s carrying amount and the present value of the estimated future cash flows discounted at the receivable’s original effective interest rate. On 1 January 2010, the Group remeasured the allowance for impairment losses on trade receivables and as at that date in accordance with FRS 139 and the difference of RM3,240,000 and the related tax effect of RM810,000 were recognised as adjustments to the opening balance of retained earnings as at 1 January 2010.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(c) FRS 139 Financial Instruments: Recognition and Measurement (continued)

Financial guarantee contracts

During the current and prior years, the Company provided financial guarantees to banks in connection with bank loans and other banking facilities granted to its subsidiaries. Prior to 1 January 2010, the guarantees were accounted for and disclosed as contingent liabilities in the financial statements of the Company.

Upon the adoption of FRS 139, such guarantees are to be recognised initially at fair value. As at the date of first adoption of FRS 139, all unexpired financial guarantees issued were not recognised as no value has been placed on the guarantees provided by the Company as the directors regard the value of the credit enhancement provided by the said guarantees to be minimal. This is because the bank loans and other banking facilities granted under the guarantees are fully collateralised by fixed and floating charges over the properties, plant and equipment and other assets of the subsidiaries.

Inter-company loans

During the current and prior years, interest-free loans and advances were made between the Company and its subsidiaries. Prior to 1 January 2010, these loans and advances were recorded at cost in the Company's financial statements. Upon the adoption of FRS 139, the interest-free loans or advances continue be recorded initially at cost as the Company takes these loans in a form of short-term advances and payable on demand. Therefore, the effect of discounting is considered as immaterial and the fair value of the loans is equal to the amount of the advances given or received. No adjustments were made to the opening balance of retained earnings as at 1 January 2010.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(c) FRS 139 Financial Instruments: Recognition and Measurement (continued)

The following are effects arising from the above changes in accounting policies on the Group's financial statements :

	Increase/(decrease)	
	As at 31.12.2010 RM'000	**As at 1.1.2010 RM'000**
Statement of financial position		
Investment securities	(10)	(9)
Trade and other receivables	(3,410)	(3,240)
Deferred tax liabilities	(852)	(810)
Retained earnings	(2,570)	(2,441)

Statement of comprehensive income	**Increase/ (decrease) 2010 RM'000**
General expenses	1
Selling expenses	170
Profit before tax	(171)
Income tax expense	42
Profit net of tax, representing total comprehensive income for the year	(129)

The comparative figures have not been restated.

(d) Amendments to FRS 117 Leases

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group and the Company as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(d) Amendments to FRS 117 Leases (continued)

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group have applied this change in accounting policy retrospectively and certain comparatives have been restated.

The following are effects to the statements of financial position arising from the above change in accounting policy:

	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Increase/(decrease) in:			
Property, plant and equipment	10,241	10,374	10,506
Land use rights	(10,241)	(10,374)	(10,506)

The comparatives have been restated as disclosed in Note 38.

2.3 Standards issued but not yet effective

The Group and the has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective date +
• FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
• FRS 3 Business Combinations (Revised)	1 July 2010
• FRS 127 Consolidated and Separate Financial Statements (Revised)	1 July 2010
• Amendments to FRS 2 Share-based Payment	1 July 2010
• Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
• Amendments to FRS 138 Intangible Assets	1 July 2010

2. Significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Description	Effective date +
• Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
• IC Interpretation 12 Service Concession Arrangements	1 July 2010
• IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
• IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
• Amendments to FRS 132: Classification of Rights Issues	1 March 2010
• Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
• Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
• Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
• Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
• Improvements to FRS issued in 2010	1 January 2011
• IC Interpretation 4 Determining Whether an Arrangement contains a Lease	1 January 2011
• IC Interpretation 18 Transfer of Assets from Customers	1 January 2011
• IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
• Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement	1 July 2011
• TR i - 4: Shariah Compliant Sale Contracts	1 January 2011
• FRS 124 Related Party Disclosures (Revised)	1 January 2012
• IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012

\+ For accounting periods beginning on or after

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the amendments to FRS 127 as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the amendments to FRS 127 are described below.

2. Significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

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

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

2.4 Subsidiaries and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances

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

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income.

2. Significant accounting policies (continued)

2.4 Subsidiaries and basis of consolidation (continued)

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.8. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured in Ringgit Malaysia which is the currency of the primary economic environment in which the entities operate ("functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

2. Significant accounting policies (continued)

2.6 Foreign currency (continued)

(b) Foreign currency transactions

Transactions in foreign currencies are measured and are recorded on initial recognition in Ringgit Malaysia at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

2.7 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	99 years
Factory buildings	50 years
Plant and machinery, factory equipment and electrical installation	5 to 20 years
Other assets	5 to 10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

2. Significant accounting policies (continued)

2.7 Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Intangible asset - goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU.

2.9 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.
An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGU").

2. Significant accounting policies (continued)

2.10 Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2.11 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.12 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Group has designated its investment in quoted securities disclosed as non-current assets, which are not held for trading but for long term purposes, as financial assets at fair value through profit or loss.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

There were no financial assets categorised as held-to-maturity investments during the reporting period.

(d) Available-for-sale financial assets

Available-for-sale financial assets are those that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(d) Available-for-sale financial assets (continued)

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

Investments in unquoted securities, which are held for long term purposes and disclosed as non-current assets, are categorised as available-for-sale investments.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.13 Impairment of financial assets

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

(a) Trade and other receivables and other financial assets carried at amortised cost

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

2. Significant accounting policies (continued)

2.13 Impairment of financial assets (continued)

(a) Trade and other receivables and other financial assets carried at amortised cost (continued)

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

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

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

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss 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. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

2. Significant accounting policies (continued)

2.13 Impairment of financial assets (continued)

(c) Available-for-sale financial assets (continued)

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

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

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Significant accounting policies (continued)

2.17 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

There were no financial liabilities at fair value through profit or loss during the reporting period.

(b) Other financial liabilities

The Group and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. Significant accounting policies (continued)

2.17 Financial liabilities (continued)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.18 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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

As disclosed in Note 2.2(c), no values are placed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiaries where such loans and banking facilities are fully collateralised by fixed and floating charges over the property, plant and equipment and other assets of the subsidiaries and where the directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2. Significant accounting policies (continued)

2.20 Employee benefits - defined contribution plans

The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.21 Leases

(a) As lessee

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

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(e).

2. Significant accounting policies (continued)

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Management fees

Management fees are recognised when services are rendered.

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(e) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.23 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

2. Significant accounting policies (continued)

2.23 Income taxes (continued)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

2. Significant accounting policies (continued)

2.23 Income taxes (continued) (continued)

(b) Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2. Significant accounting policies (continued)

2.24 Share capital and share issuance expenses

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

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

2.25 Contingencies

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

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

3. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has not made any critical judgments, apart from those involving estimations, which could have a significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

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

3. Significant accounting judgments and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

(a) Useful lives of plant and machinery

The cost of plant and equipment for the manufacture of corrugated boards and carton boxes is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 5 to 20 years. These are common life expectancies applied in the corrugated boards and carton boxes industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 13. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 1% (2009: 1.5%) variance in the Group's profit for the year.

(b) Impairment of goodwill

Goodwill are tested annually for impairment and at other times when such indicators exist. This requires an estimation of the value in use of the CGU's to which goodwill is allocated.

When value in use calculation are undertaken, management must estimate the suitable discount rate in order to calculate the present values of those cashflows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 16.

(c) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group and the Company's loans and receivable at the reporting date is disclosed in Note 19. If the present value of estimated future cash flows increases/decreases by 10% from management's estimates, the Group's allowance for impairment will decrease/increase by RM685,000.

4. Revenue

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Sales of goods	216,517	156,461	-	-
Dividend income from subsidiaries	-	-	224	1,350
Management fees from subsidiaries	-	-	227	210
	216,517	156,461	451	1,560

5. Interest income

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest income from:				
Loans and receivables	11	8	-	-

6. Other income

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Commission received	82	75	-	-
Insurance claims	48	88	-	-
Net gain on disposal of property, plant and equipment	99	272	-	-
Rental from operating leases	195	202	-	-
Reversal of allowance for impairment loss on trade receivables	276	11	-	-
Others	252	283	-	1
	952	931	-	1

7. Finance costs

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on:				
- Bank loans and overdrafts	2,795	2,678	-	-
- Obligations under finance leases	341	366	-	-
	3,136	3,044	-	-

8. Profit before tax

The following amounts have been charged/(credited) in arriving at profit before tax:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Auditors' remuneration				
- Statutory audit (current year)	123	118	31	30
- Statutory audit (prior year)	-	(6)	-	(5)
- Other services	-	24	-	7
Bad debts written off	890	19	-	-
Carriage inwards and outwards	10,511	8,269	-	-
Depreciation and amortisation:				
- Property, plant and equipment (Note 13)	6,884	6,492	-	-
- Land use right (Note 14)	111	111	-	
Employee benefits expense (Note 9)	17,509	16,231	86	98
Fair value loss on investment securities designated at fair value through profit or loss	1	-	-	-
Foreign exchange gains	(76)	(17)	-	-
Impairment loss on financial assets				
- Trade receivables [Note 19(a)]	410	746	-	-
- Other receivables [Note 19(b)]	78	-	-	-
Non-executive directors' remuneration (Note 10)	154	157	106	94
Operating lease:				
- Minimum lease payments on land and buildings	758	300	-	-
- Minimum lease payments on				
- plant and equipment	-	30	-	-

9. Employee benefits expense

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	15,128	13,765	84	96
Contributions to defined contribution plans	1,162	1,062	2	2
Social security contributions	145	126		
Other benefits	1,074	1,278	-	-
	17,509	16,231	86	98

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM1,601,000 and RM86,000 (2009: RM1,666,000 and RM98,000) respectively.

10. Directors' remuneration

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Executive directors				
Directors of the Company:				
- Fees	120	140	48	63
- Salaries and other emoluments	407	713	36	33
- Defined contribution plans	42	78	2	2
	569	931	86	98
Other directors of subsidiaries:				
- Salaries and other emoluments	970	654	-	-
- Defined contribution plans	62	81	-	-
	1,032	735	-	-
Total executive directors' remuneration (excluding benefits-in-kind)	1,601	1,666	86	98
Estimated money value of benefits-in-kind	20	13	-	-
Total executive directors' remuneration (including benefits-in-kind)	1,621	1,679	86	98

10. Directors' remuneration (continued)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Non-executive directors				
Directors of the Company:				
- Fees	144	147	96	84
- Other emoluments	10	10	10	10
	154	157	106	94
Total directors' remuneration	1,775	1,836	192	192

The number of directors of the Company who held office during the financial year, whose total annual remuneration received from the Group that fell within the following bands is analysed below:

	2010	2009
Executive directors		
Below RM50,000	-	1
RM150,001 to RM200,000	2	1
RM250,001 to RM300,000	1	-
RM300,001 to RM350,000	1	-
Above RM650,000	-	1
Non-executive directors		
Above RM50,000	3	3

11 Income tax expense

Major components of income tax expense

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Statement of comprehensive income:				
Current income tax:				
- Malaysian income tax	1,552	1,309	-	-
- Underprovision in prior years	6	5	7	5
	1,558	1,314	7	5

11 Income tax expense (continued)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Deferred income tax (Note 25):				
- Origination and reversal of temporary differences	290	(138)	-	-
- Effect of reduction in tax rate	-	(87)	-	-
- Underprovision in prior years	353	263	-	-
	643	38	-	-
Income tax expense recognised in profit or loss	2,201	1,352	7	5

Reconciliation between tax expense and accounting profit

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Profit before tax	6,859	6,158	96	1,218
Taxation at 25% (2009: 25%)	1,715	1,539	24	304
Adjustments on tax effect of:				
- Reduction in tax rates	-	(91)	-	-
- Non-deductible expenses	277	179	5	-
- Non-taxable income	(57)	(19)	(57)	(304)
- Expenses qualifying for double deduction	-	(4)	-	-
- Utilisation of re-investment allowances	(466)	(740)	-	-
Deferred tax asset not recognised unabsorbed capital allowances	373	220	28	-
Underprovision of current tax in prior years	6	5	- 7	5
Underprovision of deferred tax in prior years	353	263	-	-
Tax expense for the year	2,201	1,352	7	5

11 Income tax expense (continued)

The amounts relating to continuing operations available for carried forward to offset against future taxable income are as follows:

	Group		Company	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	2,677	1,830	-	-
Unabsorbed capital allowances	2,665	1,438	-	-
Unabsorbed reinvestment allowances	20,219	22,360	-	-
	25,561	25,628	-	-

12 Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are the same as that of the basic earnings per share as there are no dilutive potential ordinary shares outstanding during the financial year.

	Group	
	2010	2009
Profit for the year attributable to owners of the parent (RM'000)	4,589	4,605
Weighted average number of ordinary share in issue ('000)	75,251	75,251
Basic and diluted earnings per share (sen)	6.1	6.1

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(Incorporated in Malaysia)

13. Property, plant and equipment

	Leasehold land RM'000	Factory buildings RM'000	Plant and machinery RM'000	Other assets RM'000	Total RM'000
Group					
Cost					
At 1 January 2009:					
- Originally reported	-	36,116	90,540	9,376	136,032
- Effect of amendment to FRS 117 Leases	11,768	-	-	-	11,768
- Restated	11,768	36,116	90,540	9,376	147,800
Additions	-	90	6,514	505	7,109
Disposals	-	-	(677)	(883)	(1,560)
At 31 December 2009	11,768	36,206	96,377	8,998	153,349
Additions	-	1,961	7,023	740	9,724
Disposals	-	-	(942)	(856)	(1,798)
At 31 December 2010	11,768	38,167	102,458	8,882	161,275
Accumulated depreciation					
At 1 January 2009:					
- Originally reported	-	7,807	48,401	7,258	63,466
- Effect of amendment to FRS 117 Leases	1,262	-	-	-	1,262
- Restated	1,262	7,807	48,401	7,258	64,728
Charge for the year (Note 8)	133	1,076	4,643	640	6,492
Disposals	-	-	(576)	(715)	(1,291)
At 31 December 2009	1,395	8,883	52,468	7,183	69,929
Charge for the year (Note 8)	133	1,004	5,123	624	6,884
Disposals	-	-	(919)	(813)	(1,732)
At 31 December 2010	1,528	9,887	56,672	6,994	75,081
Carrying amount					
At 1 January 2009	10,506	28,309	42,139	2,118	83,072
At 31 December 2009	10,373	27,323	43,909	1,815	83,420
At 31 December 2010	10,240	28,280	45,786	1,888	86,194

(a) Other assets comprise motor vehicles, office equipment, furniture, fittings and office renovation.

(b) The factory buildings and certain plant and equipment are pledged to secure bank borrowings as disclosed in Note 23.

13. Property, plant and equipment (continued)

(c) Property, plant and equipment purchased by the Group during the financial year were by means of :

	2010 RM'000	2009 RM'000
Cash	6,806	3,349
Lease financing	2,918	3,760
	9,724	7,109

(d) The carrying amount of property, plant and equipment being acquired under instalment payment plans amounts to RM11,018,000 (2009: RM11,911,000).

14. Land use rights

	Group		
	31.12.2010 RM'000	31.12.2009 RM'000 (restated)	1.1.2009 RM'000 (restated)
Cost			
At 1 January:			
- Originally reported	4,596	16,364	16,364
- Effect of amendment to FRS 117 Leases	-	(11,768)	(11,768)
At 31 December	4,596	4,596	4,596
Accumulated amortisation			
At 1 January:			
- Originally reported	759	1,910	1,688
- Effect of amendment to FRS 117 Leases	-	(1,262)	(1,151)
- Restated	759	648	537
Amortised during the year	111	111	111
At 31 December	870	759	648
Carrying amount	3,726	3,837	3,948

14. Land use rights (continued)

	Group		
	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Amount to be amortised:			
- Not later than one year	111	111	111
- Later than one year but not later than 5 years	442	442	442
- Later than 5 years	3,173	3,284	3395

The above properties are pledged to secure bank borrowings as referred to in Note 23.

15. Investment in subsidiaries

	Company	
	31.12.2010 RM'000	31.12.2009 RM'000
Unquoted shares at cost	75,585	75,585

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

Name of subsidiaries	Principal activities	Proportion of ownership interest 2010	2009
Ornapaper Industry (M) Sdn. Bhd.	Manufacturing and sale of corrugated boards and carton boxes	100%	100%
Ornapaper Industry (Batu Pahat) Sdn. Bhd.	Manufacturing and sale of carton boxes	100%	100%
Ornapaper Industry (Perak) Sdn. Bhd.	Manufacturing and sale of corrugated boards and carton boxes	100%	100%
Quantum Rhythm Sdn. Bhd. #	Manufacturing and sale of carton boxes	100%	-
Tripack Packaging (M) Sdn. Bhd. #	Manufacturing and sale of carton boxes	100%	100%
Ornapaper Industry (Johor) Sdn. Bhd. #	Manufacturing and sale of carton boxes	80%	80%

\# Not audited by Ernst & Young

15. Investment in subsidiaries (continued)

Acquisition of subsidiary

On 29 March 2010, the Company acquired 100% equity interest in Quantum Rhythm Sdn. Bhd. ("QRSB") for a cash consideration of RM1 for each ordinary share or total consideration of RM2. Upon the acquisition, QRSB became a subsidiary of the Company. QRSB, an unlisted company incorporated in Malaysia, is involved in the manufacturing of carton boxes.

16. Goodwill

Impairment tests for goodwill

Goodwill arising from business combinations has been allocated to two individual CGU identified according to the subsidiaries for impairment testing, the carrying amount of which are as follows:

	Group	
	31.12.2010 RM'000	**31.12.2009 RM'000**
Ornapaper Industry (Perak) Sdn. Bhd. ("OIP")	1,574	1,574
Ornapaper Industry (Johor) Sdn. Bhd. ("OIJ")	59	59
	1,633	1,633

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the five-year period are as follows:

	OIP		OIJ	
	2010	**2009**	**2010**	**2009**
Growth rate	1%	1%	1%	1%
Pre-tax discount rate	9%	8%	9%	8%

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Budgeted gross margins - Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Growth rates - The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

16. Goodwill (continued)

Pre-tax discount rates – Discount rates reflect the current market assessment of the risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each CGU, regard has been given to the yield on a ten-year government bond at the beginning of the budgeted year.

Market share assumptions – These assumptions are important because, as well as using industry data for growth rates (as noted above), management assesses how the CGU's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the electronics market to be stable over the budget period.

17. Investment securities

	Group 31.12.2010		Group 31.12.2009	
	Carrying amount RM'000	Market value RM'000	Carrying amount RM'000	Market value RM'000
Fair value through profit or loss *				
- Equity instruments (quoted in Malaysia)	9	9	19	9
Available-for-sale financial assets **				
- Equity instruments (unquoted)	235	-	235	-
Total investment securities	244		254	

* Prior to 1 January 2010, the current investments were carried at cost less accumulated impairment losses, if any.

** These investments continue to be carried at cost less accumulated impairment losses, if any.

18. Inventories

	Group 31.12.2010 RM'000	Group 31.12.2009 RM'000
At cost :		
Raw materials and consumables	21,585	21,130
Work-in-progress	124	146
Finished goods	1,946	1,858
	23,655	23,134

19. Trade and other receivables

	Group		Company	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
Third parties	59,576	66,886	-	-
Allowance for impairment	(5,557)	(5,725)	-	-
Trade receivables, net	54,019	61,161	-	-
Other receivables				
Third parties	4,863	2,946	-	-
Subsidiaries	-	-	10,778	10,718
Sundry deposits	250	168	2	13
	5,113	3,114	10,780	10,731
Allowance for impairment - Third parties	(458)	(5)	-	-
Other receivables, net	4,655	3,109	10,780	10,731
Total trade and other receivables	58,674	64,270	10,780	10,731
Total trade and other receivables	58,674	64,270	10,780	10,731
Add: Cash and bank balances (Note 20)	12,545	13,565	215	260
Total loans and receivables	71,219	77,835	10,995	10,991

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 (2009: 30 to 120) days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Overdue interest of 0.50% to 1.50% (2009: 0.50% to 1.50%) per month is charged on certain amounts exceeding credit terms.

<u>Ageing analysis of trade receivables</u>

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	31.12.2010	31.12.2009
	RM'000	RM'000
Neither past due nor impaired	40,164	34,650
1 to 30 days past due not impaired	3,856	4,404
31 to 60 days past due not impaired	1,266	2,199
More than 61 days past due not impaired	2,800	19,908
	7,922	26,511
Impaired	11,490	5,725
	59,576	66,886

19. Trade and other receivables (continued)

(a) Trade receivables (continued)

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM7,922,000 (2009: RM26,115,000) that are past due at the reporting date but not impaired. These receivables are active accounts which the management considers to be recoverable.

Receivables that are impaired

The Group’s trade receivables that are individually impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	31.12.2010	**31.12.2009**
	RM'000	**RM'000**
Trade receivables - nominal amounts	11,490	5,725
Less: Allowance for impairment	(5,557)	(5,725)
	5,933	-

Movement in allowance accounts:	**Group**	
	31.12.2010	**31.12.2009**
	RM'000	**RM'000**
At 1 January	5,725	5,189
Effect of adopting FRS 139 [Note 2.2(c)]	2,860	-
Charge for the year (Note 8)	410	746
Reversal of impairment losses	(276)	(11)
Written off against trade debtors	(3,162)	(199)
At 31 December	5,557	5,725

Trade receivables that are determined to be individually impaired at the reporting date relate to those debtors that are in significant financial difficulties and/or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

19. Trade and other receivables (continued)

(b) Other receivables

Subsidiaries

Amounts due from subsidiaries are unsecured and repayable on demand.

Other receivables that are impaired

The Group's other receivables that are individually impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	31.12.2010 RM'000	31.12.2009 RM'000
Other receivables - nominal amounts	1,373	1,757
Less: Allowance for impairment	(458)	(5)
	915	1,752

Movement in allowance accounts:

	31.12.2010 RM'000	31.12.2009 RM'000
At 1 January	5	5
Effect of adopting FRS 139	380	-
Charge for the year (Note 8)	78	-
Written off against other debtors	(5)	-
At 31 December	458	5

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

20. Cash and bank balances

	Group		Company	
	31.12.2010 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
Cash on hand and at banks	12,279	13,306	215	260
Short term deposits with licensed banks	266	259	-	-
Cash and bank balances	12,545	13,565	215	260

Short term deposits are made for varying periods between 1 to 12 months depending on the immediate cash requirements of the Group and of the Company. The deposits earn interest at the respective short-term deposit rates. The weighted average effective interest rate at the balance sheet date for the Group was 2.6% (2009: 3.5%) per annum.

20. Cash and bank balances (continued)

The deposits with licensed banks are pledged to secure bank guarantee facilities.

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	12,545	13,565	215	260
Bank overdrafts (Note 23)	(3,086)	(5,215)	-	-
Cash and cash equivalents	9,459	8,350	215	260

21. Other current assets

	Group		Company	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Deposits for purchase of plant and equipment	1,185	-	-	-
Deposits for purchase of raw materials	607	-	-	-
Prepayments	1,933	378	10	-
	3,725	378	10	-

The above amounts are unsecured, interest-free and repayable on demand.

22. Assets held for sale

As at 31 December 2010, assets held for sale are as follows:

	31.12.2010	31.12.2009
	RM'000	RM'000
At carrying amount		
Plant and machinery	440	-

The Group has presented the above asset as held for sale which was disposed of to third parties on 21 January 2011.

23. Borrowings

Current	Maturity	Group 31.12.2010 RM'000	Group 31.12.2009 RM'000
Secured:			
Bank overdrafts (Note 20)	On demand	3,086	5,215
Bankers' acceptances	2011	43,252	44,503
Trust receipts	2011	4,910	7,091
Term loans	2011	679	486
Finance lease payables (Note 31)	2011	1,910	2,615
		53,837	59,910
Non-current			
Secured:			
Term loans	2012 to 2015	2,546	2,413
Finance lease payables (Note 31)	2012 to 2015	3,557	3,726
		6,103	6,139
Total borrowings		59,940	66,049

The remaining maturities of the borrowings as at 31 December 2010 are as follows:

	Group 31.12.2010 RM'000	Group 31.12.2009 RM'000
On demand or within one year	53,838	59,910
Later than one year and not later than 2 years	2,577	1,944
Later than 2 year and not later than 5 years	3,525	3,450
Later than 5 years	-	745
	59,940	66,049

(a) Bank overdrafts

Bank overdrafts are denominated in RM, bear interest on an average of 8.42% (2009:7.66%) per annum.

(b) Bankers' acceptance and trust receipts

These are used to finance purchases of the Company denominated in RM and are short term in nature. The weighted average effective interest rate is 3.09% to 4.27% (2009: 3.99% to 5.03%) per annum.

(c) Term loans

The loans are repayable over a period of 5 years. The weighted average effective interest rate is 7.5% to 7.55% (2009: 3.99% to 6.88%) per annum.

23. Borrowings (continued)

(d) Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 13). The average discount rate implicit in the leases is 3.52% (2009: 5.24%) per annum.

The borrowings are secured by the Group's factory buildings and certain other assets and a debenture covering fixed and floating charges over all the assets and properties as disclosed in Notes 13. The borrowings are additionally guaranteed by a director of a subsidiary and certain directors of the Company.

24. Trade and other payables

	Group		Company	
	31.12.2010 RM'000	**31.12.2009 RM'000**	**31.12.2010 RM'000**	**31.12.2009 RM'000**
Trade payables				
Third parties	17,932	15,702	-	-
Other payables				
Accrued operating expenses	3,317		8	-
Other payables	4,617	5,716	23	50
	7,934	5,716	31	50
Total trade and other payables	25,866	21,418	31	50
Total trade and other payables	25,866	21,418	31	50
Add: Borrowings (Note 23)	59,940	66,049	-	-
Total financial liabilities carried at amortised cost	85,806	87,467	31	50

(a) Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 120 (2009: 30 to 120) days terms.

(b) Other payables

Other payables are non-interest bearing and normally settled on an average of 6 (2009 : 6) months.

25. Deferred tax liabilities

	Group 31.12.2010 RM'000	Group 31.12.2009 RM'000
At 1 January	3,113	3,075
Effect of FRS139 adoption adjusted to opening retained earnings	(810)	-
Recognised in income statement (Note 11)	643	38
At 31 December	2,946	3,113

Deferred income tax relates to the following:

	At 1 January	Recognised in profit or loss	At 31 December
2010			
Deferred tax liabilities:			
Property, plant and equipment	8,545	132	8,677
Deferred tax assets:			
Unabsorbed capital allowances	(216)	(116)	(332)
Unabsorbed re-investment allowances	(5,217)	820	(4,397)
Others	1	(1,003)	(1,002)
	(5,432)	(299)	(5,731)
	3,113	(167)	2,946
2009			
Deferred tax liabilities:			
Property, plant and equipment	8,287	258	8,545
Deferred tax assets:			
Unabsorbed capital allowances	136	(352)	(216)
Unabsorbed reinvestment allowances	(5,349)	132	(5,217)
Others	1	-	1
	(5,212)	(220)	(5,432)
	3,075	38	3,113

25. Deferred tax liabilities (continued)

The following items were not recognised for deferred tax assets:

	Group		Company	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	2,788	1,848	111	-
Unabsorbed capital allowances	1,336	572	-	-
Unabsorbed reinvestment allowances	2,621	1,493	-	-
	6,745	3,913	111	-

26. Share capital

	Group		Company	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
			RM'000	RM'000
Authorised				
Shares of RM1 each	100,000	100,000	100,000	100,000
Issued and fully paid				
Ordinary shares of RM1 each	75,251	75,251	75,251	75,251

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

27. Share premium

This non-distributable capital reserve arose from the issue of shares at a premium in previous years.

28. Retained earnings

With effect from year of assessment 2008, tax on a company's profit will be a final tax and dividends distributed to shareholders will be exempted from tax ("single tier system"). Section 108 tax credits are locked-in as at 31 December 2007 and companies with such tax credits are given a transitional period of 6 years until 31 December 2013 to either utilize their tax credits and frank dividends under limited circumstances or to disregard such tax credits and exercise the option to pay all dividends under the single tier system.

The Company has not elected for the single tier system and as at 31 December 2010, it has sufficient tax credits and tax exempt profits to frank dividends out of its entire retained earnings without incurring any additional tax liability.

29. Dividend

	Group and Company 2010 RM'000	2009 RM'000
In respect of financial year ended 31 December 2009:		
Interim tax exempt dividend of 1% on 75,250,601 ordinary shares (1.0 sen per ordinary share)	-	753

The directors do not propose any final dividend to be paid in respect of the current financial year.

30. Related party disclosures

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	31.12.2010 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
With subsidiaries				
Management fee charged to:				
- Ornapaper Industry (M) Sdn. Bhd.	-	-	146	140
- Ornapaper Industry (Perak) Sdn. Bhd	-	-	50	50
- Ornapaper Industry (BP) Sdn. Bhd.	-	-	27	20
Net dividend received from:				
- Ornapaper Industry (M) Sdn. Bhd.	-	-	175	513
- Ornapaper Industry (Perak) Sdn. Bhd	-	-	-	800
Commission paid to:				
- Ornapaper Industry (BP) Sdn. Bhd.	-	-	-	76
With other related parties				
Sales to:				
- Perfect Food Manufacturing (M) Sdn. Bhd.	2,400	1,699	-	-
- Greatbrand Food Industries Sdn. Bhd.	501	356	-	-

Other related parties are companies in which a director of the Company, Sai Chin Hock, has substantial financial interest.

30. Related party disclosures (continued)

(b) Compensation of key management personnel

	Group		Company	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	170	102	-	-
Defined contribution plans	20	12	-	-
	190	114	-	-

31. Commitments

(a) Capital commitments

	Group	
	31.12.2010	31.12.2009
	RM'000	RM'000
Capital expenditure approved and contracted for:		
- Property, plant and equipment	1,772	-

(b) Finance lease commitments

The Company has finance leases for certain items of motor vehicles, office equipment and plant and machinery (Note 13). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	31.12.2010	31.12.2009
	RM'000	RM'000
Minimum lease payments :		
Not later than one year	2,200	2,950
Later than one year and not later than 2 years	2,238	1,566
Later than 2 years and not later than 5 years	1,589	2,549
	6,027	7,065
Less: Amounts representing future finance charges	(560)	(724)
	5,467	6,341

31. Commitments (continued)

(b) Finance lease commitments (continued)

	Group	
	31.12.2010	**31.12.2009**
	RM'000	**RM'000**
Present value of finance lease payables :		
Not later than one year	1,910	2,615
Later than one year and not later than 2 years	1,885	1,360
Later than 2 years and not later than 5 years	1,672	2,366
	5,467	6,341
Less: Amount due within 12 months (Note 23)	(1,910)	(2,615)
Amount due after 12 months (Note 23)	3,557	3,726

32. Operating lease arrangements

The Group has entered into non-cancellable operating lease agreements for the use of land and buildings. The leases have an average life of between 2 to 48 years with renewal options in the contracts. Such contracts include fixed monthly rentals. The future aggregate minimum lease payments under such leases as at the balance sheet date but not included as liabilities are as follows:

	Group	
	31.12.2010	**31.12.2009**
	RM'000	**RM'000**
Not later than one year	73	94
Later than one year but not later than 2 years	28	38
	101	132

33. Contingent liabilities

	Company	
	31.12.2010	**31.12.2009**
	RM'000	**RM'000**
Unsecured corporate guarantees given to bank for credit facilities granted to subsidiaries	-	92,676

34. Fair value of financial instruments

a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	31.12.2010		31.12.2009	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Investment securities				
- Quoted equity instruments	-	-	19,400	9,160
- Unquoted equity instruments	235,000	*	235,000	*

* Fair value information for these investments has not been disclosed as they represent ordinary shares that are not quoted on any active market.

b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	19
Borrowings	23
Trade and other payables	24

The carrying amounts of the trade and other receivables and payables are reasonable approximation of their fair values due to their relatively short maturity periods.

The carrying amounts of borrowings are reasonable approximation of their fair values as the interest charge on these borrowings are pegged to, or close to, market interest rates near or at reporting date.

35. Financial risk management objectives and policies

The Group is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks.

35. Financial risk management objectives and policies (continued)

It is, and has been throughout the current and previous financial years, the Group’s policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting and there are no outstanding hedging instruments at reporting date.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group’s exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group’s objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group’s exposure to bad debts is not significant. The relevant operating unit, the Group does not offer credit terms without the approval of the directors.

<u>Exposure to credit risk</u>

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, with positive fair values and a nominal amount of RM51,162,000 relating to a corporate guarantee provided by the Company to a bank on subsidiaries bank loans.

Information regarding credit risk management for trade and other receivables is disclosed in Note 19(a).

<u>Credit risk concentration profile</u>

At the reporting date, approximately 24% (2009 :23%) of the Group's gross trade receivables were due from 2 (2009: 2) customers totalling RM12,484,271 (2009: RM14,004,709).

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 19(a).

35. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19(a).

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities and collection from customers.

Analysis of financial instruments by remaining contractual maturities

Group	**On demand or within one year RM'000**	**One to five years RM'000**	**Total as at 31.12.2010 RM'000**
Trade and other payables	25,866	-	25,866
Borrowings	54,127	6,373	60,500
Total undiscounted financial liabilities	79,993	6,373	86,366
Company			
Trade and other payables *	31	-	31
Total undiscounted financial liabilities	31	-	31

* As the reporting date, the counterparty to the financial guarantee does not have a right to demand cash repayment as the default has not occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

35. Financial risk management objectives and policies (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings and actively review its debt portfolio taking into account the investment holding period and nature of its assets.

These information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

<u>Sensitivity analysis for interest rate risk</u>

Based on the utilisation of floating rate loans and borrowings throughout the reporting period, if interest rates had been 50 basis point lower (or higher), with all other variables held constant, the Group's profit before tax would have been RM315,000 higher (or lower), arising mainly as a result of lower (or higher) interest expense that would have been incurred. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to transactional currency risk primarily respective through sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily United States Dollars ("USD") and Singapore Dollars ("SGD") and Euro. Such transactions are kept to an acceptable level.

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

35. Financial risk management objectives and policies (continued)

(d) Foreign currency risk (continued)

	Net financial assets/(liabilities) held in non-functional currency		
	SGD RM'000	USD RM'000	Total RM'000
At 31 December 2010			
Trade and other receivables	123	554	677
Trade and other payables	-	(362)	(362)
	123	192	315
At 31 December 2009			
Trade and other receivables	131	471	602
Trade and other payables	-	(82)	(82)
	131	389	520

Sensitivity analysis for foreign currency risk

The following table illustrates the hypothetical sensitivity of the Group's profit before tax to a reasonably possible change in the USD and SGD exchange rates at the reporting date against RM, assuming all other variables remain unchanged.

	Increase/(decrease)	
	2010 RM'000	2009 RM'000
USD strengthened by 5% (2009: 5%)	12	18
USD weakened by 5% (2009: 5%)	(12)	(18)
SGD strengthened by 5% (2009: 5%)	(5)	(5)
SGD weakened by 5% (2009: 5%)	5	5

36. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

36. Capital management (continued)

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within acceptable levels. The Group includes within net debt, borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to equity holders of the Group.

	Group	
	31.12.2010	**31.12.2009**
	RM'000	**RM'000**
Borrowings	59,940	66,049
Trade and other payables	25,866	21,418
Less: - Cash and bank balances	(12,545)	(13,565)
Net debt	73,261	73,902
Equity attributable to owners of the parent	101,763	99,615
Capital and net debt	175,024	173,517
Gearing ratio	42%	43%

37. Segment information

No segmental reporting is prepared as the Group is principally involved in the manufacturing and distribution of corrugated boards and carton boxes which are predominantly carried out in Malaysia.

38. Comparative figures

Certain comparative figures as at 31 December 2009 have been restated as a result of the change in accounting policy as disclosed in Note 2.2(d) and to conform with the current year's presentation:

	Originally reported RM'000	**Adjusted RM'000**	**Reclassi-fied RM'000**	**Restated RM'000**
Statement of financial position				
Property, plant and equipment	73,046	10,374	-	83,420
Land use rights	14,175	(10,374)	36	3,837
Trade and other receivables	61,161		3,109	64,270
Other current assets	3,523	-	(3,145)	378

38. Comparative figures (continued)

	Originally reported RM'000	Adjusted RM'000	Reclassi-fied RM'000	Restated RM'000
Statement of cash flows				
Amortisation and depreciation:				
- Property, plant and equipment	6,360	132	-	6,492
- Land use rights	243	(132)	-	111

39. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 22 April 2011.

40. Supplementary information – Breakdown of realised and unrealised retained earnings

The breakdown of the retained profits 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.

	Group RM'000	Company RM'000
Total retained profits/(losses) of the Company and its subsidiaries		
- Realised	55,367	294
- Unrealised	(4,965)	-
	50,402	294
Less: Consolidation adjustments	(35,046)	-
Retained profits as per financial statements	15,356	294