



ORNAPAPER BERHAD

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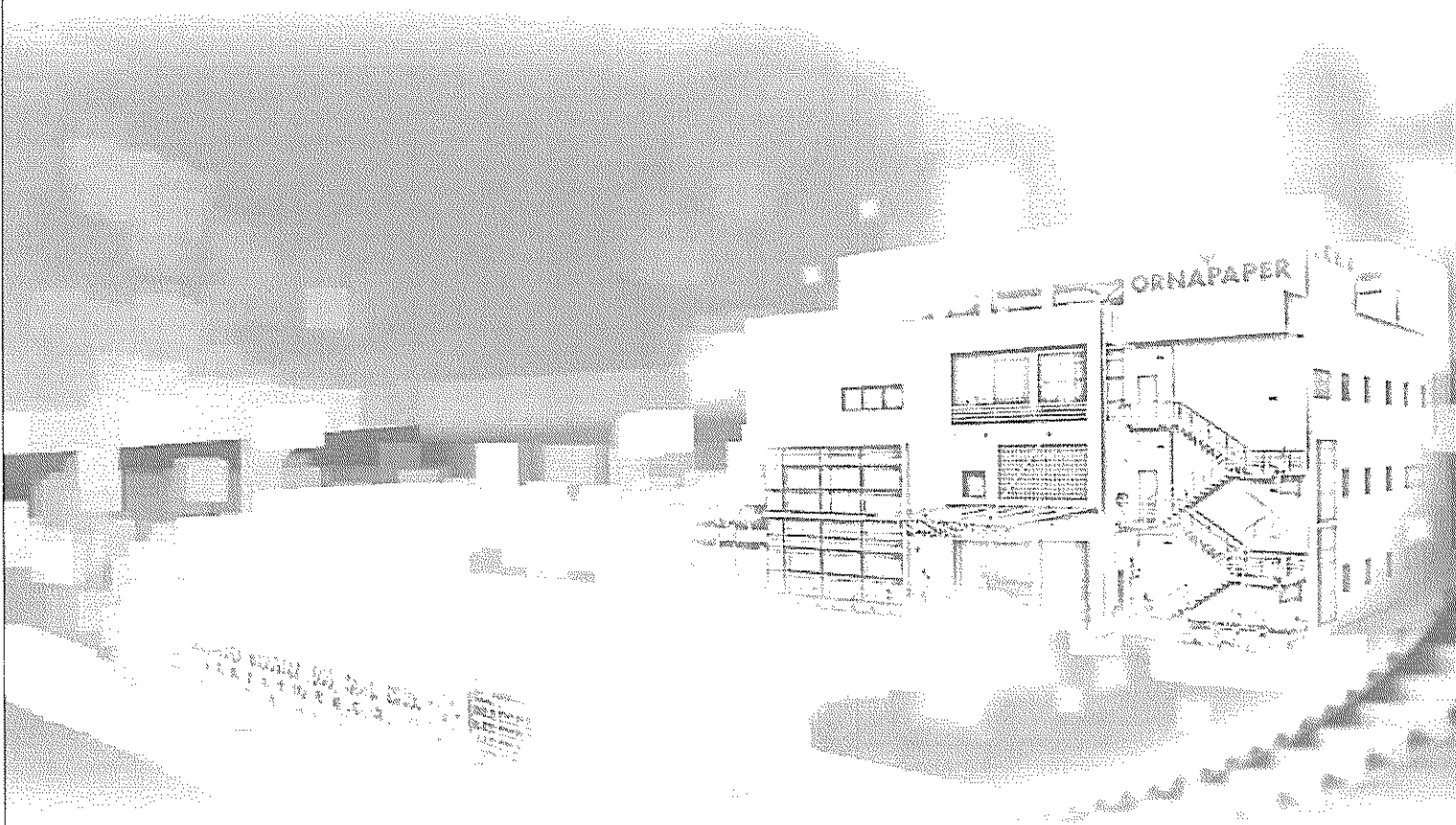
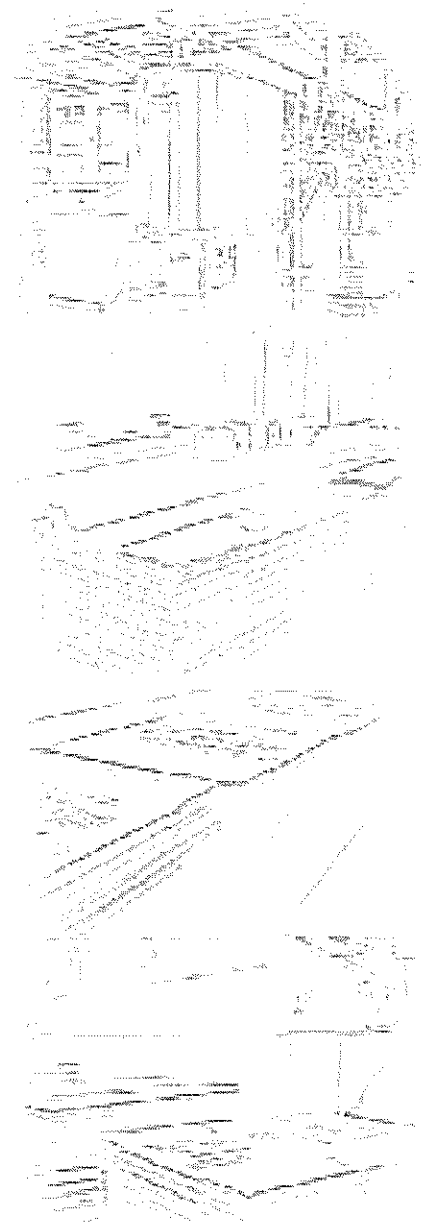


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Notice Of The Eighth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting (AGM) of the Company will be held at the Conference Room at No. 8998, Kawasan Perindustrian Peringkat 4, Batu Berendam, 75350 Melaka on Tuesday, 29 June 2010 at 10.30 a.m.

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and the Auditors thereon. (Resolution 1)
2. To approve the payment of Directors' Fees for the financial year ended 31 December 2009. (Resolution 2)
3. To re-elect Mr. Sai Chin Hock, the Director who retires pursuant to Article 98 of the Company's Articles of Association. (Resolution 3)
4. To re-elect the following Directors who retire pursuant to Article 92 of the Company's Articles of Association:-
 - (a) Mr. Ang Kwee Teng (Resolution 4)
 - (b) Mr. Lim Tau Lih (Resolution 5)
5. To re-appoint Ernst & Young as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. (Resolution 6)
6. **As Special Business**

To consider and if thought fit, with or without modification, to pass the following resolutions as Ordinary Resolutions and Special Resolution:-

Ordinary Resolution 1

- Authority To Issue Shares Pursuant To Section 132D Of The Companies Act, 1965 (Resolution 7)

"THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company."

Notice Of The Eighth Annual General Meeting

Ordinary Resolution 2

- Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature (Resolution 8)

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to Ornapaper Berhad and its subsidiaries (the Group) to enter into any of the category of recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(i) of the Company's Circular to Shareholders dated 4 June 2010 with the related party mentioned therein which are necessary for its day-to-day operations subject further to the following:-

- (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related party involved than generally available to the public and on terms not to the detriment of the minority shareholders;
- (b) the Shareholders' Mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year; and
- (c) in a meeting to obtain shareholders' mandate, the interested directors, interested major shareholders or interested persons connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

THAT such approval shall continue to be in force until:-

- (i) the conclusion of the next AGM of the Company following the general meeting at which such Proposed Shareholder's Mandate was passed, at which time it will lapse, unless by resolution passed at the general meeting, the authority is renewed;
- (ii) the expiration of the period within which the AGM of the Company after the date is required to be held pursuant to the provisions of the Companies Act 1965; or
- (iii) revoked or varied by resolution passed by the shareholders in an AGM or Extraordinary General Meeting,

whichever is earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed Renewal of Shareholders' Mandate."

Notice Of The Eighth Annual General Meeting

Ordinary Resolution 3

- Proposed New Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature (Resolution 9)

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to Ornapaper Berhad and its subsidiaries (the Group) to enter into any of the category of recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(ii) of the Company's Circular to Shareholders dated 4 June 2010 with the related party mentioned therein which are necessary for its day-to-day operations subject further to the following:-

- (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related party involved than generally available to the public and on terms not to the detriment of the minority shareholders;
- (b) the Shareholders' Mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year; and
- (c) in a meeting to obtain shareholders' mandate, the interested directors, interested major shareholders or interested persons connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

THAT such approval shall continue to be in force until:-

- (i) the conclusion of the next AGM of the Company following the general meeting at which such Proposed Renewal of Shareholder's Mandate was passed, at which time it will lapse, unless by resolution passed at the general meeting, the authority is renewed;
- (ii) the expiration of the period within which the AGM of the Company after the date is required to be held pursuant to the provisions of the Companies Act 1965; or
- (iii) revoked or varied by resolution passed by the shareholders in an AGM or Extraordinary General Meeting,

whichever is earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed New Shareholders' Mandate."

Notice Of The Eighth Annual General Meeting

Special Resolution

- Proposed Amendment to the Articles of Association of the Company

(Resolution 10)

"THAT the proposed amendment to the Articles of Association of the Company as set out in the Circular to Shareholders of the Company dated 4 June 2010 be and is hereby approved."

7. To transact any other ordinary business of which due notice has been given.

By Order of the Board

Chua Siew Chuan (MAICSA 0777689)
Sean Ne Teo (LS0008058)
Company Secretaries

Melaka
4 June 2010

Explanatory Notes To Special Business:-

1. Authority to issue shares pursuant to Section 132D of the Companies Act 1965

The proposed Ordinary Resolution 1 is to seek a renewal of the general mandate for the issue of new ordinary shares in the Company pursuant to Section 132D of the Companies Act, 1965 which was approved by shareholders at the AGM held on 26 June 2009. The company did not issue any new shares after the previous mandate was obtained at the last AGM.

The proposed Ordinary Resolution 1, if passed, would enable the Company to avoid delay and cost of convening further general meetings to approve the issue of shares for such purposes provided that the aggregate number of the shares issued does not exceed 10% of the issued share capital of the Company for the time being.

2. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transaction Of A Revenue Or Trading Nature and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of A Revenue Or Trading Nature

The Resolutions 8 and 9, if passed would enable the Company and its subsidiaries to enter into any of the new and existing recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

3. Proposed Amendment to the Articles of Association of the Company

The proposed Special Resolution would allow the Company to amend its Articles of Association in line with the implementation of Electronic Dividend Payment ("e-Dividend") by Bursa Malaysia Securities Berhad.

Notice Of The Eighth Annual General Meeting

Notes:

- (i) In respect of deposited security, only members whose names appear in the Record of Depositors on 21 June 2010 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
- (ii) A member entitled to attend and vote at this Meeting is entitled to appoint more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.
- (iii) Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he or she specifies the proportion of his or her holdings to be represented by each proxy.
- (iv) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
- (v) The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 1A, 6th Floor, Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra, Batu Berendam, 75350 Melaka not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

Corporate Information

BOARD OF DIRECTORS	: Mr. Lim Tau Lih (Managing Director) Mr. Sai Chin Hock Mr. Ang Kwee Teng Mr. See Wan Seng (Executive Director) Tuan Haji Azhar bin Nayan (Non-Independent Non-Executive Director) Mr. Siow Kee Yen Puan Adillah binti Ahmad Nordin (Independent Non-Executive Director)
AUDIT COMMITTEE	Mr. Siow Kee Yen (Chairman) Puan Adillah binti Ahmad Nordin Tuan Haji Azhar bin Nayan
NOMINATION COMMITTEE	Mr. Siow Kee Yen (Chairman) Puan Adillah binti Ahmad Nordin Tuan Haji Azhar bin Nayan
REMUNERATION COMMITTEE	Puan Adillah binti Ahmad Nordin (Chairperson) Mr. Siow Kee Yen Tuan Haji Azhar bin Nayan
COMPANY SECRETARIES	Ms. Chua Siew Chuan (MAICSA 0777689) Ms. Sean Ne Teo (LS0008058)
REGISTERED OFFICE	Lot 1A, 6 th Floor Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra Batu Berendam, 75350 Melaka. Tel: 06-3355210 Fax: 06-3355570
SHARE REGISTRAR	Tricor Investor Services Sdn Bhd (formerly known as Tenaga Korperat Sdn Bhd) Level 17, The Gardens North Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel: 603-22643883 Fax: 603-22821886 is.enquiry@my.tricorglobal.com
AUDITORS	Ernst & Young (AF 0039) Chartered Accountants Lot 1, 6 th Floor Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra Batu Berendam, 75350 Melaka.
STOCK EXCHANGE LISTING	Main Market of Bursa Malaysia Securities Berhad

Profile of Directors

Mr Sai Chin Hock

Age	: 61
Nationality	: Malaysian
Designation/ Position in the Company	: Executive Director
Date of appointment	: 26 January 2010
Qualification	: Bachelor of Commerce (Nanyang University, Singapore)
Work experience	: Managing Director for the past 35 years
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct – 846,400 shares : Deemed – 22,305,798 shares
Family relationship with any directors and/ or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

Mr Lim Tau Lih

Age	: 52
Nationality	: Malaysian
Designation/ Position in the Company	: Managing Director
Date of appointment	: 30 October 2006
Qualification	: Member of Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants
Work experience	: Manager of Coopers & Lybrand (1991 to 1996), Manager of Ernst & Young (1987 to 1991), Non-Executive Partner of Lim Tau Lih & Co.
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct – 5,374,045 shares : Deemed – Nil
Family relationship with any directors and/ or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

Profile of Directors

Tuan Haji Azhar bin Nayan

Age	: 47
Nationality	: Malaysian
Designation / Position in the Company	: Non-Executive Director
Date of appointment	: 2 December 2002
Qualification	: Degree in Bachelor of Science Accountancy; MBA in Finance; Member of American Institute of Certified Public Accountants
Work experience	: Management Consultant in Ernst & Whinny; Auditor with Arthur Andersen & Co.; General Manager in Lembaga Tabung Haji (1989 to present); Director of Ornapaper Industry (M) Sdn Bhd (present)
Directorship in other Public Companies	: Tafi Industries Berhad
Securities holding in the Company and its subsidiaries	: Direct - 25,000 shares : Deemed - Nil
Family relationship with any directors and / or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

Mr See Wan Seng

Age	: 63
Nationality	: Malaysian
Designation / Position in the Company	: Executive Director
Date of appointment	: 2 December 2002
Qualification	: Bachelor of Commerce Degree from Nanyang University Singapore
Work experience	: Director & General Manager of Carton Box Industrial (M) Sdn Bhd (1990 to 1996); Director of Ornapaper Industry (M) Sdn Bhd (1995 to 2008); Director of Tripack Packaging (M) Sdn Bhd (2004 to 2008)
Directorship on other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct - Nil : Deemed - 18,634,888 shares
Family relationship with any director and / or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of Conviction for offences within the past 10 years	: Nil

Profile of Directors

Mr Siow Kee Yen

Age : 39
Nationality : Malaysian
Designation / Position in the Company : Independent Non-Executive Director
Date of appointment : 2 December 2002
Qualification : Member of Malaysian Institute of Accountants
Honours Degree in Bachelor of Accountancy
Work experience : Audit Senior in Arthur Andersen & Co. (1996-1999);
Audit Manager with Chin & Co. (2000-2001);
Partner of KY Siow & Co. (2001 to present)
Directorship in other Public Companies : Nil
Securities holding in the Company and its subsidiaries : Direct - 130,500 shares
: Deemed - Nil
Family relationship with any directors and / or major
shareholders of the Company : Nil
Conflict of interest with the Company : Nil
List of conviction for offences within the past 10 years : Nil

Puan Adillah binti Ahmad Nordin

Age : 41
Nationality : Malaysian
Designation/ Position in the Company : Independent Non-Executive Director
Date of appointment : 2 December 2002
Qualification : LL.B (Honours)
Work experience : English Bar & Malaysian Bar (1993 & 1994); Advocate &
Solicitor with Adillah A. Nordin (present)
Directorship in other Public Companies : Nil
Securities holding in the Company and its
subsidiaries : Direct – 14,000 shares
: Deemed – Nil
Family relationship with any directors and/ or major
shareholders of the Company : Nil
Conflict of interest with the Company : Nil
List of conviction for offences within the past 10 years : Nil

Profile of Directors

Mr Ang Kwee Teng

Age	: 60
Nationality	: Malaysian
Designation / Position in the Company	: Executive Director
Date of appointment	: 2 December 2002
Qualification	: -
Work experience	: Director of Ornapaper Industry (M) Sdn Bhd (1995 to present)
Directorship in other Public Companies	: Golsta Synergy Berhad
Securities holding in the Company and its subsidiaries	: Direct - 10,000 : Deemed - 18,634,888 shares
Family relationship with any directors and / or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

Managing Director's Statement

On behalf of the Board of Directors, I have pleasure in presenting the Annual Report and Audited Financial Statements of the Group for the year ended 31 December 2009.

ECONOMIC & BUSINESS ENVIRONMENT

For financial year 2009 Q1 – the aftermath of the sub-prime financial crisis. For a while, it was anybody's guess which way the economy going, further down or turn upwards, how long the would the recovery be and how resilient we needed to be.

A silver lightning appeared when many MNCs head quarters decided to reallocate production quota to Malaysia. Orna and many others, especially those entrenched in the Electronic and Electric sector benefited greatly from this. The group was on 5 and going down to 4 days week and all of the sudden, we were up and running 6 days week.

The paper mills were clearing stocks in a panic and direct cost of production quickly reduced to a manageable level in 2009 Q1 and Q2. For the remaining quarters, prices were stable and business was brisk.

The greatest set back for 2009 was the change in government's policy to restrict foreign labour. This resulted in across the board labour shortages and caused great strains to labour intensive industry.

REVIEW OF FINANCIAL RESULTS

The Group achieved 25% growth in the profit as compared to 2008 blessed by the favourable economic environments which the management capitalized on with sound management strategies.

The Group managed to achieve gross profit margin of 16% for 2009. The Board continued the tight surveillance on operational costs and marketing activities and at the same time, pushing for higher production efficiencies.

The Group was again awarded first place for the prestigious Sony's Best Supplier for Quality Innovation Project 2009 attesting to the Group's consistent ability to provide quality product and service to highly esteemed customers.

PROSPECT

For 2010, the Group face new challenges in terms of rising cost of paper rolls. The international paper containers industry appears to be going through new games play. It would take more than the management's best effort to interpret the new rules and to respond effectively and efficiently in order to repeat 2009 success.

APPRECIATION

On behalf of the Board of Directors, I wish to express my heartfelt thank and appreciation to our valued customers, suppliers, distributors, business associates, bankers and shareholders for their continuous support. I also take this opportunity to express our gratitude and appreciation to the government, relevant authorities and officers, for their guidance and assistance.

As always, my sincere thanks to the management and staff for their dedicated commitment and valuable contribution to the Group without which the Group will not be able to outperform itself over the previous financial year.

Lim Tau Lih
Managing Director

Statement On Corporate Governance

The Board of Directors ("the Board") is committed to maintaining high standards of corporate governance within the group and are being practiced throughout the Group towards enhancing business prosperity, maximizing shareholders' value and supporting excellent corporate conduct based on the recommendation of the Malaysian Code on Corporate Governance ("the Code").

The Board further acknowledged that good corporate governance is a fundamental part of its responsibility in managing the business and operations of the Group. The following statement sets out how the Group has applied the Principles contained in Part 1 of the Code. The extent of the Group's compliance with the Best Practices set out in Part 2 of the Code is as stated in Compliance Statement.

BOARD OF DIRECTORS

Board Balance and Composition

The Board members comprise of one (1) Managing Director, three (3) Executive Directors, one (1) Non-Executive Director and two (2) Independent Non-Executive Directors. The Composition of the Board not only reflect the wide range of experiences, skills and knowledge required in the paper packaging industry, but also professionals with diverse knowledge and skills in the areas of accounting, legal, and general management. There is also a balanced mix of experience and expertise to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction.

A profile of individual Director are set out on pages 8 to 11 of this Annual Report.

The Board balance is reflected through the contributions of Independent Non-Executive Directors. The Independent Non-Executive Directors provide objective and independent judgement to facilitate balance leadership of the Group as well as to safeguard interest of the minority shareholders and other stakeholders by ensuring the highest standard of conduct and integrity are maintained by the Group. The Non-Executive Director contribute significantly in areas such as policy and strategy, performance monitoring as well as improving governance and controls.

Board Responsibilities

The Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Management Committee ("MC") assists the Board in the day-to-day operations of the Group. The MC comprises the Managing Director and heads of departments within the Group.

The Board has also delegated certain responsibilities to other Board Committees, which operate within clearly defined terms of reference.

Board Meetings

The Board meets at least four (4) times a year, with additional meetings convened as required. Notice of Board meetings with an agenda and board paper for each agenda item to be discussed would be distributed to all Directors for timely and accurate information prior to the meeting.

Statement On Corporate Governance

Five (5) meetings were convened during the financial year ended 31 December 2009. Details of the attendance of the Directors at the meetings are as follows:-

Director	Attendance
Lim Tau Lih	5/5
Ang Kwee Teng	5/5
See Wan Seng	5/5
Azhar bin Nayan	5/5
Siew Kee Yen	5/5
Adillah binti Ahmad Nordin	4/5
Sai Chin Hock	- (Appointed to the Board on 26 January 2010)

At each meeting, the Board considers the financial statements and results of the Group for the period ended for each quarter, the performance of the business of the Group, new business development proposals, policies and strategic issues affecting the Group's business and factors imposing potential risks in the business of the Group.

In the interval between Board meetings, for exceptional matters requiring urgent Board decisions, Boards approval are sought via circular resolutions, which are attached with sufficient and relevant information required for an informed decision to be made.

In accordance with the Company's Articles of Association, at least one third (1/3) of the Directors or the number nearest to one-third (1/3), shall retire by rotation at each Annual General Meeting and at least once every three (3) years. The Directors retiring from office shall be eligible for re-election by the shareholders.

Directors Training

The Directors are aware of the need for continuous updates of their skills and knowledge to maximize their effectiveness as Directors and assist them in discharging their duties during their tenure of service. During the year, they have attended, either collectively or individually, various programs and briefing to keep them updated on the regulatory changes as well as future market developments in the global financial market.

The following are training programs, seminars and conferences attended by Directors of the Company in 2009:-

- (i) Financial Reporting During Financial Turbulence
- (ii) Oracle E-Business Suites Customer Workshop
- (iii) Seminar On Goods Governance Strategy and Sustainability
- (iv) Kursus Forensic Accounting
- (v) Kursus High Performance Leadership In Turbulent Times
- (vi) 4th TH Corporate Directors Training Programme
- (vii) Seminar Actia Conference 2009
- (viii) Kursus Coso - Based Auditing
- (ix) Kursus Chief Audit Executive Forum
- (x) Forum South-East Asia Financial Crime Prevention & Anti-Corruption
- (xi) Enterprisi Risk Management - Tools & Techniques

Board Committees

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to certain Committees, namely Audit Committee, Nomination Committee and Remuneration Committee with each operating within its clearly define terms of reference. The Chairman of the various Committees will report to the Board the outcome of the Committee meetings.

Statement On Corporate Governance

The Board has established the following Committees to assist the Board in the execution of its duties:-

(i) Audit Committee

The membership, terms of reference and activities of the Audit Committee are detailed in the Audit Committee Report on pages 18 to 21 of this Annual Report.

(ii) Nomination Committee

Siow Kee Yen (Chairman)
Adillah binti Ahmad Nordin
Azhar bin Nayan

The terms of reference of the Nomination Committee was reviewed by the Board and all members of the Nomination Committee were re-nominated and re-appointed. The term of office of the Nomination Committee is three (3) years and may be re-nominated and re-appointed by the Board.

The Nomination Committee reviews the required mix of skills and experience and other qualities and competencies of its Directors. The function of the Nomination Committee is to identify and recommend candidates to the Board and its committees, as well as assessing the effectiveness of the Board as a whole and the committees of the Board.

(iii) Remuneration Committee

Adillah binti Ahmad Nordin (Chairperson)
Siow Kee Yen
Azhar bin Nayan

The terms of reference of the Remuneration Committee was reviewed by the Board and all the member of the Remuneration Committee were re-nominated and re-appointed. The term of office of the Remuneration Committee is three (3) years and may be re-nominated and re-appointed by the Board. The Committee is responsible for recommending to the Board from time to time, the remuneration packages of the Executive Directors of the Group. The Board shall decide on the remuneration packages upon considering the recommendations made by the Remuneration Committee.

A Remuneration Committee meeting was held on 31 January 2009.

DIRECTORS REMUNERATION

The Company shall ensure the level and make-up of remuneration is sufficient to attract and retain the Directors needed to run the Company successfully. Currently, the Remuneration Committee assesses the Executive Directors' remuneration packages so as to recommend the Executive Directors' remuneration packages to the Board for approval. The Executive Directors shall abstain from participating in the discussion with respect to their remuneration packages. The details of the Directors' Remuneration for the financial year ended 31 December 2009 are disclosed in Note 7 of the Notes to the Financial Statement herein.

The Executive Directors' remuneration comprises basic salary, Directors' fees and allowances. Other customary benefits to the Group are made available as appropriate. Any salary reviews will take into account market rates and the performance of the individual and the Group.

Statement On Corporate Governance

The Non-Executive Directors' remuneration comprises fees and allowances. Determination of said remuneration is balanced with their expected roles and responsibilities including any additional work and contribution required.

The Board has considered the disclosure of details of the remuneration of each Director as stipulated in the Code. The Board is of the view that the transparency and accountability aspects of Corporate Governance as applicable to Director's Remuneration are appropriately served by the "band disclosure" as required by the Listing Requirements.

DIALOGUE WITH SHAREHOLDERS AND INVESTORS

The Group recognizes the importance of communication with shareholders and investors and keeping them informed of the Group's developments through announcements via the Bursa LINK. In addition, other corporate information materials are available to all shareholders in the Company's Annual Reports and Circulars to Shareholders.

The Board encourages full participation by shareholders at the Annual General Meetings and Extraordinary General Meetings of the Company where opportunity are given to the shareholders to raise questions and seek clarification on the business and performance of the Company.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements of financial results, the Board aims to present a balanced and meaningful assessment of the Group's financial positions and prospects. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and accuracy of its financial reporting.

Directors' Responsibility Statement

The Directors of the Company are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company.

The Directors are required to ensure that the financial statements for each financial year are properly drawn up in accordance with the provisions of the Companies Act, 1965 and approved accounting standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year end and of the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing those financial statements of the Group and of the Company for the financial year ended 31 December 2009, the Group has adopted the appropriate accounting policies and applied them consistently and all applicable approved accounting standards have been followed. The financial statements are prepared on a going concern basis.

Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets. This includes ensuring the review of the adequacy and integrity of the system of internal control in managing the principal risks of the Group.

Statement On Corporate Governance

The Board has reviewed the adequacy and integrity of the Group's state of internal control and the Group's Statement on Internal Control is set out on pages 22 to 23 of this Annual Report.

Relationship with External Auditors

The role of the Audit Committee in relation to the external auditors is disclosed in the Report of Audit Committee set out on pages 18 to 21.

Internal Audit Function

The Group's has outsource its Internal Audit to assist the Audit Committee in the discharge of its duties and responsibilities. The Internal Audit function includes evaluation of the processes by which significant risks are identified, assessed and managed. Such audits are carried out to ensure instituted controls are appropriate, effectively applied and within acceptable risk exposures consistent with the Group's risk management policy. The total cost incurred was RM 58,588.

ADDITIONAL COMPLIANCE INFORMATION

Share Buybacks

During the financial year, there were no shares buybacks by the Company.

Options, Warrants or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2009.

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

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

Sanctions and/or Penalties

The Company is not aware of any sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies that have not been made public.

Variation in Results

There were no material variation in results.

Non-audit fees

During the year, non-audit fees amounting to RM 24,200 were paid by the Company and its subsidiaries to the Company's external auditors or a firm and its affiliates as professional fee.

Profit Guarantees

During the financial year, there were no profit guarantee given by the Company.

Material Contracts

During the financial year, there were no material contracts entered into by the Company or its subsidiaries, involving Directors' and major shareholders interest.

Contracts Relating to Loans

There were no material contracts relating to loans by the Company involving Directors and major shareholders.

Utilisation of Proceeds

The Company did not implement any fund raising exercise during the financial year.

Audit Committee Report

MEMBERSHIP

The present members of the Audit Committee of the Company are:-

<i>Name</i>	<i>Designation</i>
Siow Kee Yen (Chairman)	Independent Non-Executive Director
Adillah binti Ahmad Nordin	Independent Non-Executive Director
Azhar bin Nayan	Non-Independent Non-Executive Director

TERMS OF REFERENCE

Composition of members

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) non-executive directors. The majority of the Audit Committee members shall be independent directors.

In this respect, the Board adopts the definition of "independent director" as defined under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee must be:-

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

No alternate director of the Board shall be appointed as a member of the Audit Committee.

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

Retirement and resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

Chairman

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.

In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be independent director to chair the meeting.

Secretary

The Company Secretary shall be the Secretary of the Audit Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

Audit Committee Report

Meeting

The Audit Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Upon the request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.

Notice of Audit Committee meetings shall be given to all the Audit Committee members unless the Audit Committee waives such requirement.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Finance Director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

The head of internal audit and a representative of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee shall meet with the external auditors without executive Board members present at least twice a year and whenever necessary.

Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit Committee shall have a second or casting vote.

For the financial year ended 31 December 2009, a total of four (4) meetings were held, details of which are as follows:

<i>Name</i>	<i>Attendance</i>
Siow Kee Yen	4/4
Adillah binti Ahmad Nordin	4/4
Azhar bin Nayan	4/4

Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board. The Audit Committee Chairman shall report on each meeting to the Board.

The minutes of the Audit Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

Quorum

The quorum for the Audit Committee meeting shall be the majority of members present whom must be independent directors.

Objectives

The principal objectives of the Audit Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:

Audit Committee Report

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Group's control environment.

Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- (a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Audit Committee.
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.
- (c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).
- (e) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.

Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:-

- (a) To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;
- (b) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (c) To review with the external auditor his evaluation of the system of internal controls and his audit report;
- (d) To review the quarterly and year-end financial statements of the Board, focusing particularly on -
 - any change in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- (e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- (f) To review the external auditor's management letter and management's response;

Audit Committee Report

- (g) To do the following, in relation to the internal audit function:-
- review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (h) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (i) To report its findings on the financial and management performance, and other material matters to the Board;
- (j) To consider the major findings of internal investigations and management's response;
- (k) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;
- (l) To determine the remit of the internal audit function;
- (m) To consider other topics as defined by the Board; and
- (n) To consider and examine such other matters as the Audit Committee considers appropriate.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

The Audit Committee is empowered to carry out the following duties during the financial year under review in accordance with its term of reference :

- (a) Reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors presented their audit strategy and plan.
- (b) Reviewed with the external auditors, major issues arising from the audit.
- (c) Reviewed the Group's internal audit plan.
- (d) Reviewed the internal audit reports. The Audit Committee was briefed on the audit reports issued and on the issues raised by the Internal Auditors on various aspects of the system in operation, practices and procedures and internal controls. Special notice was taken of significant issues raised in the audit reports and that adequate corrective actions had been taken by the Operating Management to rectify the weaknesses.

Statement On Internal Control

INTRODUCTION

Pursuant to paragraph 15.26 (b) of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (Bursa Securities), the Board is pleased to provide the following statement on the state of internal control of the Group for the financial year ended 31 December 2009, which has been prepared in accordance with the Statement on Internal Control - Guideline for Directors of Public Listed Companies issued by the Institute of Internal Auditors Malaysia and adopted by the Bursa Securities.

BOARD RESPONSIBILITY

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity.

The Group's system of internal control is designed to manage the principal business risks that may impede the Group for achieving its business objectives. Notwithstanding, as with any internal control system, the Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing those objectives, these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board recognises that effective risk management is part of good business management practices. The Enterprise Risk Management Framework allows the Group to identify, evaluate and manage risks within defined risk parameters that affect the achievement of the Group's business objectives.

Whilst the Board is ultimately responsible for identifying the Group's risks, the implementation and the establishment of the Group's Risk Management Framework are delegated to the Management Committee who plays a pivotal role in continuously monitoring the implementation of the mitigating action plans and assessing the relevance and adequacy of the risk management and control process in light of changes to the Group's risk profile.

INTERNAL CONTROL MECHANISM

The Board entrusts the daily running of the business to the Managing Director ("MD") and his management team. The MD and his management team receive timely information pertaining to performance and profitability of the Group through monthly and weekly reports which include quantitative and qualitative trends and analyses.

The MD plays a pivotal role in communicating the Board's expectations of the systems of internal control to management. This is achieved, on a day-to-day basis, through his active participation in the operations of the business as well as attendance at various scheduled Management Committee meetings. The Executive Directors meet with the Departmental Managers weekly to discuss Production, Operational, Sales and Human Resource issues and monitors the progress of these issues through daily interaction with the management team.

Statement On Internal Control

The other key elements of the Group's existing system of internal controls are as follows:

- * Quality Policy that clearly outlines the Group's direction.
- * Clear organisation structure with developed reporting lines that are ISO compliant.
- * Scheduled Management Committee meetings involving the review of the Group's operations, financial performance and human resource matters.
- * Monthly reports to the MD containing both financial and non-financial information.
- * An implicit understanding of the Company's authority limits.
- * Structured training for employees based on the annual training plan.
- * An independent internal audit function.
- * Internal Quality Audits as specified by ISO for certain subsidiaries. Results of these audits are reported to the MD.

The system of internal controls was satisfactory and there has been no significant breakdown or weakness in the system of internal control of the Group that might have resulted in material losses incurred by the Group for the financial year ended 31 December 2009. The Group continues to take necessary measures to strengthen its internal control structure and manage its risks.

ASSURANCE MECHANISM

The Audit Committee ("AC") is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the Group's systems of internal control.

The Company has an independent internal audit function to conduct review on internal controls. During the financial year, the internal audit function has been fully outsourced to a professional service provider firm and reports directly to the AC. The outsourced internal audit function reviews the key activities of the Group on the basis of an annual audit plan approved by the AC. Reports and corrective actions arising from internal audit reviews are reported to the AC.

CONCLUSION

The Board remains committed towards keeping with the ever-changing business environment in order to support the Group's business and size of operations. Cognisant of this fact, the Board in striving for continuous improvement will put in place appropriate action plans, when necessary, to further enhance the Group's system of internal control.

The Statement is made in accordance with the resolution of the Board of Directors on 19 May 2010.

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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

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	Company RM
Profit for the year	<u>4,806,094</u>	<u>1,213,081</u>
Attributable to:		
Equity holders of the Company	4,604,882	1,213,081
Minority interests	<u>201,212</u>	<u>-</u>
	<u>4,806,094</u>	<u>1,213,081</u>

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.

Dividend

The amount of dividends paid by the Company since 31 December 2008 was as follows:

	RM
Interim tax exempt dividend of 1% on 75,250,601 ordinary shares paid on 15 December 2009 for the financial year ended 31 December 2009	<u>752,506</u>

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

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 :

Lim Tau Lih
Tuan Haji Azhar bin Nayan
See Wan Seng
Siow Kee Yen
Adillah binti Ahmad Nordin
Ang Kwee Teng
Sai Chin Hock (appointed on 26 January 2010)

Directors' Report

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 7 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			
	1.1.2009	Acquired	Sold	31.12.2009
Direct interest				
Lim Tau Lih	5,374,045	-	-	5,374,045
Tuan Haji Azhar bin Nayan	25,000	-	-	25,000
Siow Kee Yen	130,500	-	-	130,500
Adillah binti Ahmad Nordin	14,000	-	-	14,000
Ang Kwee Teng	10,000	-	-	10,000
Indirect interest				
See Wan Seng	18,634,888	-	-	18,634,888
Ang Kwee Teng	18,634,888	-	-	18,634,888

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.

Directors' Report

Other statutory information (continued)

- (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 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.
- (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 28 April 2010.

Lim Tau Lih

Ang Kwee Teng

Melaka, Malaysia

Statement By Directors

Statement by directors

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

We, Lim Tau Lih 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 31 to 73 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards 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 2009 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 April 2010.

Lim Tau Lih

Ang Kwee Teng

Melaka, Malaysia

Statutory declaration

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

I, Lim Tau Lih, 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 31 to 73 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 Lim Tau Lih at Melaka
in the State of Melaka on 28 April 2010

Lim Tau Lih

Before me,

CHOO YONG CHUAN
Commissioner for Oaths

Independent Auditors' Report To The Members Of Ornapaper Berhad

Report on the financial statements

We have audited the financial statements of Ornapaper Berhad, which comprise the balance sheets as at 31 December 2009, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 73.

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.

Independent Auditors' Report To The Members Of Ornapaper Berhad

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 2009 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and 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 16 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

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

Ernst & Young
AF: 0039
Chartered Accountants

Lee Ah Too
2187/09/11(J)
Chartered Accountant

Melaka, Malaysia
Date: 28 April 2010

Income Statements

(For The Year Ended 31 December 2009)

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Continuing operations					
Revenue	3	156,461,455	190,586,153	1,559,554	200,000
Cost of sales		(125,768,738)	(161,525,447)	-	-
Gross profit		30,692,717	29,060,706	1,559,554	200,000
Other income	4	659,170	663,372	674	-
Administrative expenses		(6,694,300)	(6,482,606)	(246,708)	(167,463)
Selling and marketing expenses		(10,302,009)	(11,766,495)	(3,533)	(5,664)
Other expenses		(5,161,499)	(4,697,146)	(91,526)	(590,890)
Operating profit/(loss)	5	9,194,079	6,777,831	1,218,461	(564,017)
Finance income		7,800	26,701	79	843
Finance costs		(3,043,548)	(4,865,027)	(421)	(29,804)
Profit/(loss) before tax		6,158,331	1,939,505	1,218,119	(592,978)
Tax expense	8	(1,352,237)	(757,398)	(5,038)	(20,340)
Profit/(loss) for the year from continuing operations		4,806,094	1,182,107	1,213,081	(613,318)
Discontinued operations					
Profit for the year from discontinued operations	9	-	2,792,360	-	-
Profit/(loss) for the year		4,806,094	3,974,467	1,213,081	(613,318)
Attributable to:					
Equity holders of the Company		4,604,882	2,584,484	1,213,081	(613,318)
Minority interests		201,212	1,389,983	-	-
		4,806,094	3,974,467	1,213,081	(613,318)
Earnings per share attributable to equity holders of the Company (sen):					
Basic (Continuing operations)	10	6.1	1.4		
Basic (Discontinued operations)	10	-	2.0		
Basic, for profits for the year	10	6.1	3.4		
Diluted (Continuing operations)	10	6.1	1.4		
Diluted (Discontinued operations)	10	-	2.0		
Diluted, for profit for the year	10	6.1	3.4		

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

Balance Sheets

As At 31 December 2009

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Assets					
Non-current assets					
Property, plant and equipment	12	73,044,140	72,563,670	-	-
Prepaid land lease payments	14	14,177,105	14,420,255	-	-
Goodwill	15	1,633,024	1,633,024	-	-
Investment in subsidiaries	16	-	-	75,585,432	75,585,432
Other investments	17	254,400	254,400	-	-
		<u>89,108,669</u>	<u>88,871,349</u>	<u>75,585,432</u>	<u>75,585,432</u>
Current assets					
Inventories	18	23,134,256	21,674,465	-	-
Trade receivables	19	61,161,201	58,881,277	-	-
Other receivables	20	3,522,758	3,738,962	10,731,203	10,509,482
Tax recoverable		536,954	431,671	85,465	47,965
Cash and bank balances	21	13,564,890	5,015,359	259,661	40,755
		<u>101,920,059</u>	<u>89,741,734</u>	<u>11,076,329</u>	<u>10,598,202</u>
Total assets		<u>191,028,728</u>	<u>178,613,083</u>	<u>86,661,761</u>	<u>86,183,634</u>
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	22	75,250,601	75,250,601	75,250,601	75,250,601
Share premium	23	11,155,900	11,155,900	11,155,900	11,155,900
Retained earnings/ (Accumulated losses)	24	13,208,071	9,355,695	205,078	(255,497)
Shareholders' equity		<u>99,614,572</u>	<u>95,762,196</u>	<u>86,611,579</u>	<u>86,151,004</u>
Minority interests		536,219	335,007	-	-
Total equity		<u>100,150,791</u>	<u>96,097,203</u>	<u>86,611,579</u>	<u>86,151,004</u>
Non-current liabilities					
Borrowings	25	6,139,648	6,008,235	-	-
Deferred tax liabilities	27	3,113,006	3,074,898	-	-
Non-current liabilities		<u>9,252,654</u>	<u>9,083,133</u>	<u>-</u>	<u>-</u>
Current liabilities					
Borrowings	25	59,909,874	60,137,460	-	-
Trade payables	28	15,701,648	7,105,099	-	-
Other payables		5,716,601	5,859,998	50,182	32,630
Current tax payable		297,160	330,190	-	-
		<u>81,625,283</u>	<u>73,432,747</u>	<u>50,182</u>	<u>32,630</u>
Total liabilities		<u>90,877,937</u>	<u>82,515,880</u>	<u>50,182</u>	<u>32,630</u>
Total equity and liabilities		<u>191,028,728</u>	<u>178,613,083</u>	<u>86,661,761</u>	<u>86,183,634</u>

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

Statements Of Changes In Equity

(For The Year Ended 31 December 2009)

Group	Non-distributable		Distributable		Total attributable to equity holders of the Company RM	Minority interests RM	Total equity RM
	Share capital RM	Share premium RM	Foreign exchange reserve RM	Foreign exchange reserve relating to assets held for sale RM			
At 1 January 2008	75,250,601	11,155,900	(17,393)	(1,999,337)	94,321,380	6,090,015	100,411,395
Foreign currency translation recognised directly in equity	-	-	8,460	(399,622)	(391,162)	(319,272)	(710,434)
Disposal of subsidiaries	-	-	8,933	2,398,959	-	(6,825,719)	(6,825,719)
Profit for the year	-	-	-	-	2,584,484	1,389,983	3,974,467
Total recognised income and expense for the year	-	-	17,393	1,999,337	2,193,322	(5,755,008)	(3,561,686)
Dividend (Note 11)	-	-	-	-	(752,506)	-	(752,506)
At 31 December 2008	75,250,601	11,155,900	-	-	95,762,196	335,007	96,097,203
Profit for the year, representing total recognised income and expense for the year	-	-	-	-	4,604,882	201,212	4,806,094
Dividend (Note 11)	-	-	-	-	(752,506)	-	(752,506)
At 31 December 2009	75,250,601	11,155,900	-	-	99,614,572	536,219	100,150,791

Statements Of Changes In Equity

(For The Year Ended 31 December 2009)

Company	← Non-distributable →		Distributable	Total
	Share capital RM	Share premium RM	Retained earnings/ (accumulated losses) RM	
At 1 January 2008	75,250,601	11,155,900	1,110,327	87,516,828
Dividend (Note 11)	-	-	(752,506)	(752,506)
Loss for the year, representing total recognised income and expense for the year	-	-	(613,318)	(613,318)
At 31 December 2008	75,250,601	11,155,900	(255,497)	86,151,004
Dividend (Note 11)	-	-	(752,506)	(752,506)
Profit for the year, representing total recognised income and expense for the year	-	-	1,213,081	1,213,081
At 31 December 2009	75,250,601	11,155,900	205,078	86,611,579

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

Cash Flow Statements

(For The Year Ended 31 December 2009)

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Cash flows from operating activities					
Profit/(loss) before tax:					
- Continuing operations		6,158,331	1,939,505	1,218,119	(592,978)
- Discontinued operations	9(a)	-	2,792,360	-	-
Adjustments for :					
Bad debts written off		18,960	3,888	-	-
Depreciation and amortisation:					
- Property, plant and equipment	12	6,359,684	6,187,825	-	-
- Prepaid land lease payments	14	243,150	246,244	-	-
(Gain)/loss on disposal of:					
- Property, plant and equipment		(272,204)	(91,440)	-	-
- Investment property		-	(10,758)	-	-
- Investment in subsidiaries	9(d)	-	(241,772)	-	481,396
Provision for doubtful debts		734,402	2,158,617	-	-
Dividend income		(70)	(772)	(1,350,000)	-
Interest expense		3,043,548	4,865,027	421	29,804
Interest income		(7,800)	(26,701)	(79)	(843)
Operating profit/(loss) before working capital changes		16,278,001	17,822,023	(131,539)	(82,621)
Increase in inventories		(1,459,791)	(614,482)	-	-
(Increase)/decrease in receivables		(2,817,080)	9,459,450	(221,721)	(5,804,138)
Increase/(decrease) in payables		8,453,150	(14,694,730)	17,552	(23,294)
Cash generated from/(used in) operations		20,454,280	11,972,261	(335,708)	(5,910,053)
Interest paid		(3,043,548)	(4,865,027)	(421)	(29,804)
Interest received		7,800	26,701	79	843
Taxes (paid)/refunded		(1,452,442)	(1,096,010)	(5,038)	82,630
Net cash generated from/(used in) operating activities		15,966,090	6,037,925	(341,088)	(5,856,384)

Cash Flow Statements

(For The Year Ended 31 December 2009)

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Cash flows from investing activities					
Net dividends received		70	772	1,312,500	-
Purchase of:					
- Property, plant and equipment	12(c)	(3,349,468)	(3,815,258)	-	-
- Other investments		-	(10,000)	-	-
Proceeds from disposal of:					
- Property, plant and equipment		541,518	1,941,223	-	-
- Investment property		-	420,000	-	-
- Subsidiaries	9(d)	-	4,711,802	-	8,430,207
Net cash (used in)/generated from investing activities		<u>(2,807,880)</u>	<u>3,248,539</u>	<u>1,312,500</u>	<u>8,430,207</u>
Cash flows from financing activities					
(Repayment)/drawdown of term loans		(456,070)	13,167,323	-	(1,851,174)
Payment of dividend		(752,506)	-	(752,506)	(752,506)
Repayment of finance lease payables		(3,274,255)	(3,328,429)	-	-
Increase/(decrease) in short term borrowings		530,899	(14,487,591)	-	-
Net cash used in financing activities		<u>(3,951,932)</u>	<u>(4,648,697)</u>	<u>(752,506)</u>	<u>(2,603,680)</u>
Cash and cash equivalents					
Net increase/(decrease) during the year		9,206,278	4,637,767	218,906	(29,857)
Effect of foreign exchange rate changes		-	(1,464,943)	-	-
At beginning of year		(856,825)	(4,029,649)	40,755	70,612
At end of year	21	<u>8,349,453</u>	<u>(856,825)</u>	<u>259,661</u>	<u>40,755</u>

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

Notes To The Financial Statements

31 December 2009

1. Corporate information

The Company 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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 April 2010.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia ("FRS").

The financial statements of the Company 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).

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of any potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(a) Subsidiaries and basis of consolidation (continued)

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared using the same reporting date as the Company. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair values of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition 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 acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is, instead, reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(c) Property, plant and equipment and depreciation

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

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

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

Factory buildings	2%
Plant and machinery, factory equipment and electrical installation	5% to 20%
Other assets	10% to 20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is recognised in profit or loss.

(d) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated.

Investment properties are derecognised upon disposal or upon permanent withdrawal from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

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

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(e) Impairment of non-financial assets

The carrying amounts of non-financial assets, other than inventories and tax recoverable, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(f) Inventories

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

Cost is determined using the weighted average method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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

(g) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, net of any outstanding bank overdrafts.

(ii) Other non-current investments

Non-current investments other than investments in subsidiaries are stated at cost less impairment losses. On disposal of such an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(iii) Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

(v) Interest-bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vi) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(h) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of properties are classified as operating or finance leases in the same way as leases of other assets and the land and building elements of a lease of property are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exception:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(h) Leases (continued)

(ii) Finance leases - the Group as lessee

Assets acquired by way finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

(iii) Operating leases - the Group as lessee

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

In the case of a lease of property, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the building elements in proportion to the relative fair values for leasehold interest in the land and building elements of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(iv) Operating leases - the Group as lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(i) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year end and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(j) Employee benefits

(i) Short term benefits

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

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(j) Employee benefits (continued)

(ii) Defined contributions plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund. Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(k) Revenue recognition

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. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Dividend income

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

(iii) Management fee

Management fee is recognised when service is rendered.

(l) Foreign currencies

(i) Functional and presentation currency

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

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(i) Foreign currencies (continued)

(ii) Foreign currency transactions

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

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

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

Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

(iii) Foreign operations

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

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

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(i) Foreign currencies (continued)

(iii) Foreign operations (continued)

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2007 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2007 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(m) Borrowing costs

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

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

(n) Non-current assets (or disposal groups) held for sale and discontinued operation

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

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRS. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.3 New and revised FRS, amendments to FRS and Interpretation

- (a) At the date of authorisation of these financial statements, the following new FRSs and Interpretations, and amendments to certain Standards and Interpretations were issued but not yet effective and have not been applied by the Group:

Effective for financial periods beginning on or after 1 July 2009

- FRS 8: Operating Segments

Effective for financial periods beginning on or after 1 January 2010

- FRS 4: Insurance Contracts
- FRS 7: Financial Instruments: Disclosures
- FRS 101: Presentation of Financial Statements (revised)
- FRS 123: Borrowing Costs
- FRS 139: Financial Instruments: Recognition and Measurement
- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards
- Amendments to FRS 2: Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

2.3 Standards and interpretations issued but not yet effective (continued)

- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement
- Amendments to FRS 7: Financial Instruments: Disclosures
- Amendments to FRSs 'Improvements to FRSs (2009)'
- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- TR i – 3: Presentation of Financial Statements of Islamic Financial Institutions

Effective for financial periods beginning on or after 1 March 2010

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

Effective for financial periods beginning on or after 1 July 2010

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

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.3 Standards and interpretations issued but not yet effective (continued)

- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 15: Agreements for the Construction of Real Estate
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives

Effective for financial periods beginning on or after 1 January 2011

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

The Group plans to adopt the above pronouncements when they become effective in the respective financial periods.

- (b) Unless otherwise described below, the above pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application:

FRS 3: Business Combinations (revised)

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

The changes by FRS 3 (revised) will be applied prospectively and only affect future acquisition.

FRS 8: Operating Segment

FRS 8 replaces FRS 114 2004: Segment Reporting and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

FRS 127: Consolidated and Separate Financial Statements (amended)

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

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.3 Standards and interpretations issued but not yet effective (continued)

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

FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income.

The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

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

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

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

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

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.3 Standards and interpretations issued but not yet effective (continued)

Amendments to FRSs 'Improvements to FRSs (2009)'

FRS 117 Leases: Clarifies on the classification of leases of land and buildings. The Group is still assessing the potential implication as a result of the reclassification of its unexpired land leases as operating or finance leases. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings. The Group is currently in the process of assessing the impact of this amendment.

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

2.4 Significant Accounting Estimates and Judgments

(a) Critical judgments made in applying accounting policies

There were no critical judgments made by management in the process of applying the Company's accounting policies that could have any significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

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

Notes To The Financial Statements

31 December 2009

2. Significant accounting policies (continued)

2.4 Significant accounting estimates and judgements (continued)

(b) Key sources of estimation uncertainty (continued)

(i) Depreciation of plant and machinery

The cost of plant and machinery for the manufacture of carton boxes is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 20 years which are common life expectancies applied in the 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.

(ii) Impairment of goodwill

The Group determines whether goodwill are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2009 is RM1,633,024 (2008: RM1,633,024). Further details are disclosed in Note 15.

(iii) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses, capital allowances and re-investment allowances to the extent that it is probable that taxable profit will be available against which the tax losses and such allowances can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Notes To The Financial Statements

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3. Revenue

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Sales of goods	156,461,455	190,586,153	-	-
Dividend income from subsidiaries	-	-	1,350,000	-
Management fees from subsidiaries	-	-	209,554	200,000
	<u>156,461,455</u>	<u>190,586,153</u>	<u>1,559,554</u>	<u>200,000</u>

4. Other income

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Dividend income on equity investments, quoted in Malaysia	70	772	-	-
Rental from operating leases	201,500	192,000	-	-
Insurance claims	87,516	-	-	-
Commission received	75,741	174,865	-	-
Others	294,343	295,735	674	-
	<u>659,170</u>	<u>663,372</u>	<u>674</u>	<u>-</u>

5. Operating profit/(loss)

The following amounts have been charged/(credited) in arriving at operating profit/(loss):

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Auditors' remuneration				
- Statutory audit (current year)	118,000	114,600	30,000	30,000
- Statutory audit (prior year)	(6,250)	(3,500)	(5,250)	(2,000)
- Other services	24,200	28,925	7,300	11,800
Bad debts written off	18,960	3,888	-	-
Depreciation and amortisation:				
- Property, plant and equipment (Note 12)	6,359,684	6,187,825	-	-
- Prepaid land lease payments (Note 14)	243,150	243,151	-	-

Notes To The Financial Statements

31 December 2009

5. Operating profit/(loss) (continued)

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Foreign exchange gains	(16,717)	(70,502)	-	(61,974)
(Gain)/loss on disposal of:				
- Property plant and equipment	(272,204)	(91,440)	-	-
- Investment property	-	(10,758)	-	-
- Investment in subsidiaries	-	(241,772)	-	481,396
Minimum operating lease payments				
- Land and buildings	299,908	249,762	-	-
- Plant and equipment	30,350	20,600	-	-
Provision for doubtful debts	734,402	2,158,617	-	-

6. Employee benefits expense

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Executive directors (Note 7)				
Directors of the Company	931,276	959,667	98,233	38,289
Other directors of subsidiaries	734,870	623,535	-	-
	<u>1,666,146</u>	<u>1,583,202</u>	<u>98,233</u>	<u>38,289</u>
Other key management personnel				
Salaries and wages	101,800	243,048	-	-
Defined contribution plans	12,096	29,788	-	-
	<u>113,896</u>	<u>272,836</u>	<u>-</u>	<u>-</u>
Other staff costs				
Salaries and wages	12,156,365	11,983,601	-	-
Defined contribution plans	1,016,991	972,641	-	-
Other related costs	1,278,355	2,166,646	-	-
	<u>14,451,711</u>	<u>15,122,888</u>	<u>-</u>	<u>-</u>
	<u>16,231,753</u>	<u>16,978,926</u>	<u>98,233</u>	<u>38,289</u>

Notes To The Financial Statements

31 December 2009

7. Directors' remuneration

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Directors of the Company				
Executive directors (Note 6):				
Fees	140,000	148,000	63,000	23,500
Salaries and other emoluments	713,000	732,660	33,500	14,500
Defined contribution plans	78,276	79,007	1,733	289
	<u>931,276</u>	<u>959,667</u>	<u>98,233</u>	<u>38,289</u>
Non-executive directors:				
Fees	147,000	126,000	84,000	84,000
Other emoluments	10,000	10,500	9,500	10,500
	<u>157,000</u>	<u>136,500</u>	<u>93,500</u>	<u>94,500</u>
Other directors of subsidiaries				
Executive directors (Note 6):				
Salaries and other emoluments	653,970	554,448	-	-
Defined contribution plans	80,900	69,087	-	-
	<u>734,870</u>	<u>623,535</u>	<u>-</u>	<u>-</u>
Total directors' remuneration	<u>1,823,146</u>	<u>1,719,702</u>	<u>191,733</u>	<u>132,789</u>

The estimated money value of benefits-in-kind for the Group in respect of executive directors of the Company amounted to RM13,294 (2008: RM6,500).

The number of directors of the Company whose total annual remuneration received from the Group that fell within the following bands is analysed below:

	2009	2008
Executive directors		
Below RM50,000	1	-
RM100,001 to RM150,000	-	1
RM150,001 to RM200,000	1	-
RM250,001 to RM300,000	-	1
RM600,001 to RM650,000	-	1
Above RM650,000	1	-
Non-executive directors		
Below RM50,000	-	3
Above RM50,000	3	-

Notes To The Financial Statements

31 December 2009

8. Tax expense

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Current tax:				
Malaysian income tax	1,309,091	916,884	-	-
Underprovision in prior years	5,038	-	5,038	-
	<u>1,314,129</u>	<u>916,884</u>	<u>5,038</u>	<u>-</u>
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	(137,930)	(212,411)	-	-
Relating to reduction in income tax rate	(87,000)	(32,000)	-	-
Underprovision in prior years	263,038	84,925	-	20,340
	<u>38,108</u>	<u>(159,486)</u>	<u>-</u>	<u>20,340</u>
	<u>1,352,237</u>	<u>757,398</u>	<u>5,038</u>	<u>20,340</u>

In the previous financial year, certain subsidiaries with paid up share capital of RM2.5 million or less qualify for the preferential tax rate of 20% on the first RM500,000 of the chargeable income and any excess of chargeable income over RM500,000 shall be subject to the Malaysian statutory tax rate of 26%. Effective year of assessment 2009, these subsidiaries no longer qualify for the preferential tax rate of 20% and income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year.

A reconciliation of tax expense applicable to profit/(loss) before tax at the statutory income tax rate to tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Profit/(loss) before tax from:				
- Continuing operations	6,158,331	1,939,505	1,218,119	(592,978)
- Discontinued operations	-	2,792,360	-	-
	<u>6,158,331</u>	<u>4,731,865</u>	<u>1,218,119</u>	<u>(592,978)</u>
Taxation at 25% (2008: 26%)	1,539,583	1,230,285	304,530	(154,176)
Effect of different tax rates in other countries	-	(726,014)	-	-
Effect of income subject to preferential tax rate	-	(42,887)	-	-
Effect of changes in tax rates on opening balance of deferred tax	(91,227)	-	-	-

Notes To The Financial Statements

31 December 2009

8. Tax expense

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Current tax:				
Malaysian income tax	1,309,091	916,884	-	-
Underprovision in prior years	5,038	-	5,038	-
	<u>1,314,129</u>	<u>916,884</u>	<u>5,038</u>	<u>-</u>
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	(137,930)	(212,411)	-	-
Relating to reduction in income tax rate	(87,000)	(32,000)	-	-
Underprovision in prior years	263,038	84,925	-	20,340
	<u>38,108</u>	<u>(159,486)</u>	<u>-</u>	<u>20,340</u>
	<u>1,352,237</u>	<u>757,398</u>	<u>5,038</u>	<u>20,340</u>

In the previous financial year, certain subsidiaries with paid up share capital of RM2.5 million or less qualify for the preferential tax rate of 20% on the first RM500,000 of the chargeable income and any excess of chargeable income over RM500,000 shall be subject to the Malaysian statutory tax rate of 26%. Effective year of assessment 2009, these subsidiaries no longer qualify for the preferential tax rate of 20% and income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year.

A reconciliation of tax expense applicable to profit/(loss) before tax at the statutory income tax rate to tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Profit/(loss) before tax from:				
- Continuing operations	6,158,331	1,939,505	1,218,119	(592,978)
- Discontinued operations	-	2,792,360	-	-
	<u>6,158,331</u>	<u>4,731,865</u>	<u>1,218,119</u>	<u>(592,978)</u>
Taxation at 25% (2008: 26%)	1,539,583	1,230,285	304,530	(154,176)
Effect of different tax rates in other countries	-	(726,014)	-	-
Effect of income subject to preferential tax rate	-	(42,887)	-	-
Effect of changes in tax rates on opening balance of deferred tax	(91,227)	-	-	-

Notes To The Financial Statements

31 December 2009

8. Tax expense (continued)

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Deferred tax recognised at different tax rates	-	(32,000)	-	-
Effect of expenses not deductible for tax purposes	179,308	344,950	-	27,504
Effect of income not subject to tax	(18,628)	(21,663)	(304,530)	-
Effect of double deduction of expenses	(4,383)	(13,815)	-	-
Effect of utilisation of current year's re-investment allowances	(740,538)	(742,322)	-	-
Deferred tax asset de-recognised on unabsorbed re-investment allowances	-	110,035	-	-
Deferred tax asset not recognised on unutilised losses	-	123,560	-	126,672
Deferred tax asset not recognised on unabsorbed capital allowances	220,046	442,344	-	-
Underprovision of current tax in prior years	5,038	-	5,038	-
Underprovision of deferred tax in prior years	263,038	84,925	-	20,340
Tax expense for the year	1,352,237	757,398	5,038	20,340

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Unabsorbed tax losses	1,830,000	1,444,000	-	115,000
Unabsorbed capital allowances	1,438,000	986,000	-	-
Unabsorbed re-investment allowances	22,360,000	21,451,000	-	-
	25,628,000	23,881,000	-	115,000

Notes To The Financial Statements

31 December 2009

9. Discontinued operations and disposal group held for sale

In the previous financial year, the Company disposed of its subsidiaries, Yuen Foong Yu Paper Enterprise Dong Nai Company Limited ("YFYP") and Hello Paper Co Ltd. ("HP"), for an equivalent of RM8,430,207 and RM148,036 respectively. The disposals were completed in April 2008 and October 2008 respectively. The assets and liabilities of YFYP and HP were de-consolidated and the results from these subsidiaries were presented separately on the consolidated income statement as discontinued operations.

(a) Analysis of the results of the discontinued operations

	Group	
	2009 RM	2008 RM
Revenue	-	24,213,837
Administration and general expenses	-	(21,041,968)
Interest income	-	17,345
Interest expense	-	(396,854)
Profit for the year from discontinued operations	-	<u>2,792,360</u>

(b) Profit for the year from discontinued operations

The following amounts have been charged in arriving at profit after tax of discontinued operations:

	Group	
	2009 RM	2008 RM
Auditors' remuneration	-	4,965
Employee benefits expense	-	877,975
Prepaid land lease payments (Note 14)	-	<u>3,093</u>

(c) Cash flows attributable to the discontinued operations

	Group	
	2009 RM	2008 RM
Operating cash flows	-	(20,035,669)
Investing cash flows	-	1,840,316
Financing cash flows	-	<u>19,677,362</u>
Total cash flows	-	<u>1,482,009</u>

Notes To The Financial Statements

31 December 2009

9. Discontinued operations and disposal group held for sale (continued)

(d) Effects of disposals on financial position

	Group	
	2009 RM	2008 RM
Assets/(liabilities)		
Property, plant and equipments	-	37,531,417
Prepaid land lease payments	-	442,341
Investments	-	7,275
Inventories	-	12,203,394
Trade and other receivables	-	16,718,279
Cash and bank balances	-	3,866,441
Short and long term borrowings	-	(31,061,875)
Trade and other payables	-	(24,545,082)
Net assets disposed	-	15,162,190
Minority interests share of net assets	-	(6,825,719)
Group's share of net assets	-	8,336,471
Total disposal proceeds	-	(8,578,243)
Gain on disposal to the Group	-	(241,772)
Cash inflow arising from disposal		
Cash consideration	-	8,578,243
Cash and cash equivalents of subsidiaries disposed	-	(3,866,441)
Net cash inflow to the Group	-	4,711,802
	Company	
	2009	2008
Investment in YFYP		
Cost of investment	-	20,911,603
Less: Impairment loss	-	(12,000,000)
Carrying amount	-	8,911,603
Total disposal proceeds	-	(8,430,207)
Loss on disposal to the Company	-	481,396

The disposal of HP had no effect on the Company's financial position as it was disposed by a subsidiary of the Company.

Notes To The Financial Statements

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10. Earnings per share

Basic and diluted earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company with the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2009	2008
	RM	RM
Attributable to ordinary equity holders of the Company:		
Profit from continuing operations	4,604,882	1,048,686
Profit from discontinuing operations	-	1,535,798
Profit for the year	<u>4,604,882</u>	<u>2,584,484</u>
Weighted average number of ordinary share in issue	<u>75,250,601</u>	<u>75,250,601</u>
Basic and diluted earnings per share (sen):		
Profit from continuing operations	6.1	1.4
Profit from discontinuing operations	-	2.0
Profit for the year	<u>6.1</u>	<u>3.4</u>

The basic and diluted earnings per share are the same as there are no dilutive potential ordinary shares outstanding during the current and previous financial year.

11. Dividend

	2009	2008
	RM	RM
In respect of financial year ended 31 December 2007:		
First and final tax exempt dividend of 1% on 72,250,601 ordinary shares (1.0 sen per ordinary share)	-	752,506
In respect of financial year ended 31 December 2009:		
Interim tax exempt dividend of 1% on 72,250,601 ordinary shares (1.0 sen per ordinary share)	<u>752,506</u>	<u>-</u>
	<u>752,506</u>	<u>752,506</u>

Notes To The Financial Statements

31 December 2009

12. Property, plant and equipment

	Factory buildings RM	Plant and machinery RM	Other assets RM	Total RM
Group - 2009				
Cost				
At 1 January 2009	36,114,785	90,538,977	9,373,203	136,026,965
Additions	90,341	6,514,487	504,640	7,109,468
Disposals	-	(677,295)	(883,493)	(1,560,788)
At 31 December 2009	<u>36,205,126</u>	<u>96,376,169</u>	<u>8,994,350</u>	<u>141,575,645</u>
Accumulated depreciation				
At 1 January 2009	7,806,419	48,401,379	7,255,497	63,463,295
Charge for the year (Note 5)	1,075,983	4,643,908	639,793	6,359,684
Disposals	-	(576,537)	(714,937)	(1,291,474)
At 31 December 2009	<u>8,882,402</u>	<u>52,468,750</u>	<u>7,180,353</u>	<u>68,531,505</u>
Carrying amount	<u>27,322,724</u>	<u>43,907,419</u>	<u>1,813,997</u>	<u>73,044,140</u>
Group - 2008				
Cost				
At 1 January 2008	35,725,346	88,388,872	8,732,094	132,846,312
Additions	389,439	3,106,105	937,031	4,432,575
Disposals	-	(956,000)	(236,921)	(1,192,921)
Disposal of subsidiaries	-	-	(59,001)	(59,001)
At 31 December 2008	<u>36,114,785</u>	<u>90,538,977</u>	<u>9,373,203</u>	<u>136,026,965</u>
Accumulated depreciation				
At 1 January 2008	6,853,824	44,806,498	6,815,938	58,476,260
Charge for the year (Note 5)	952,595	4,540,479	694,751	6,187,825
Disposals	-	(945,598)	(234,763)	(1,180,361)
Disposal of subsidiaries	-	-	(20,429)	(20,429)
At 31 December 2008	<u>7,806,419</u>	<u>48,401,379</u>	<u>7,255,497</u>	<u>63,463,295</u>
Carrying amount	<u>28,308,366</u>	<u>42,137,598</u>	<u>2,117,706</u>	<u>72,563,670</u>

Notes To The Financial Statements

31 December 2009

12. Property, plant and equipment (continued)

- (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 25.
- (c) Property, plant and equipment purchased by the Group during the financial year were by means of :

	2009 RM	2008 RM
Cash	3,349,468	3,815,258
Lease financing	<u>3,760,000</u>	<u>617,317</u>
	<u>7,109,468</u>	<u>4,432,575</u>

- (d) The carrying amount of property, plant and equipment being acquired under instalment payment plans amounts to RM 11,910,840 (2008 : RM15,189,130).

13. Investment property

	Group	
	2009 RM	2008 RM
Cost		
At 1 January	-	461,742
Disposal	<u>-</u>	<u>(461,742)</u>
At 31 December	<u>-</u>	<u>-</u>
Accumulated depreciation		
At 1 January	-	52,500
Disposal	<u>-</u>	<u>(52,500)</u>
At 31 December	<u>-</u>	<u>-</u>
Carrying amount	<u>-</u>	<u>-</u>

The investment property was previously pledged to secure bank borrowings granted to the Group.

Notes To The Financial Statements

31 December 2009

14. Prepaid land lease payments

	Group	
	2009 RM	2008 RM
At 1 January	14,420,255	14,663,406
Amortisation during the year:		
- Continuing operations (Note 5)	(243,150)	(243,151)
- Discontinued operations (Note 9(b))	-	(3,093)
	(243,150)	(246,244)
Disposal of subsidiary	-	3,093
At 31 December	<u>14,177,105</u>	<u>14,420,255</u>
Relating to:		
Long term leasehold land	10,857,958	11,022,932
Short term leasehold land	3,319,147	3,397,323
	<u>14,177,105</u>	<u>14,420,255</u>

The above properties are pledged to secure bank borrowings as referred to in Note 25.

15. Goodwill

Impairment tests for goodwill

Goodwill has been allocated to the Group's CGUs identified according to the subsidiaries, as follows:

	Group	
	2009 RM	2008 RM
Ornapaper Industry (Perak) Sdn. Bhd.	1,573,698	1,573,698
Ornapaper Industry (Johor) Sdn. Bhd.	59,326	59,326
	<u>1,633,024</u>	<u>1,633,024</u>

Notes To The Financial Statements

31 December 2009

15. Goodwill (continued)

Key assumptions used in value-in-use calculations

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 key assumptions used for value-in-use calculations are as follows:

	Ornapaper Industry (Perak) Sdn. Bhd.		Ornapaper Industry (Johor) Sdn. Bhd.	
	2009	2008	2009	2008
Gross margin	18%	19%	16%	15%
Growth rate	1%	1%	1%	1%
Discount rate	8%	8%	8%	8%

The following describes each key assumption used :

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year adjusted for expected increase in direct costs.

(ii) Growth rate

The weighted average growth rates used are consistent with past experience and based on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the group of assets in a CGU.

(iii) Discount rate

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The Group does not consider any reasonably possible change in the above key assumptions to materially cause the recoverable amounts to be lower than its carrying amount.

Notes To The Financial Statements

31 December 2009

16. Investment in subsidiaries

	Company	
	2009 RM	2008 RM
Unquoted shares at cost	75,585,432	75,585,432

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

Name of subsidiaries	Ownership interest		Principal activities
	2009	2008	
Ornapaper Industry (M) Sdn. Bhd.	100%	100%	Manufacturing and sale of corrugated boards and carton boxes
Ornapaper Industry (Batu Pahat) Sdn. Bhd.	100%	100%	Manufacturing and sale of carton boxes
Ornapaper Industry (Perak) Sdn. Bhd.	100%	100%	Manufacturing and sale of corrugated boards and carton boxes
Tripack Packaging (M) Sdn. Bhd. #	100%	100%	Manufacturing and sale of carton boxes
Ornapaper Industry (Johor) Sdn. Bhd. #	80%	80%	Manufacturing and sale of carton boxes

Not audited by Ernst & Young

During the previous financial year, the subsidiaries, YFYP and HP, were disposed of. Information relating to the said disposals are set out in Note 9.

17. Other investments

	Group	
	2009 RM	2008 RM
At cost:		
Quoted shares	19,400	19,400
Unquoted shares	235,000	235,000
	<u>254,400</u>	<u>254,400</u>
Market value of quoted shares	<u>9,160</u>	<u>9,160</u>

Notes To The Financial Statements

31 December 2009

18. Inventories

	Group	
	2009 RM	2008 RM
At cost :		
Raw materials and consumables	21,129,618	20,000,108
Work-in-progress	146,976	59,383
Finished goods	1,857,662	1,614,974
	<u>23,134,256</u>	<u>21,674,465</u>

19. Trade receivables

	Group	
	2009 RM	2008 RM
Trade receivables	66,697,183	63,881,509
Provision for doubtful debts	(5,535,982)	(5,000,232)
	<u>61,161,201</u>	<u>58,881,277</u>

Bad debts of RM198,652 (2008: RM658,924) have been directly written off against the provision account during the year.

The Group's normal credit term ranges from 30 to 120 (2008: 30 to 120) days. Other credit terms are assessed and approved on a case-by-case basis. Overdue interest of 0.50% to 1.50% (2008: 0.50% to 1.50%) per month is charged on certain amounts exceeding credit terms.

The Group has significant concentration of credit risk that may arise from exposure to two debtors which amounted to RM14,004,709 (2007: RM11,803,780) and represents 23% (2008: 18%) of the total gross debts. These two debtors have strategic alliances with the Group and the directors are confident that, based on steps taken and the committed payment scheme by one of the debtors, the amounts, net of provisions made, will be recovered in full and as such, no further provision for doubtful debts is required.

20. Other receivables

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Deposits and prepayments	546,321	1,266,732	12,475	14,124
Other receivables	2,981,761	2,477,554	-	-
Due from subsidiaries	-	-	10,718,728	10,495,358
	<u>3,528,082</u>	<u>3,744,286</u>	<u>10,731,203</u>	<u>10,509,482</u>
Provision for doubtful debts	(5,324)	(5,324)	-	-
	<u>3,522,758</u>	<u>3,738,962</u>	<u>10,731,203</u>	<u>10,509,482</u>

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

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or groups of debtors other than the amount due from subsidiaries, the debts of which account for 99% (2007: 99%) of the total gross amount receivables of the Company.

Notes To The Financial Statements

31 December 2009

21. Cash and cash equivalents

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash on hand and at banks	13,305,999	4,762,505	259,661	40,755
Deposits with licensed banks	258,891	252,854	-	-
Cash and bank balances	<u>13,564,890</u>	<u>5,015,359</u>	<u>259,661</u>	<u>40,755</u>

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

The weighted average effective interest rate at the balance sheet date and the average maturity of deposits as at the end of the financial year were as follows :

	Weighted average interest rate		Average maturity	
	2009	2008	2009	2008
Deposits with licensed banks	<u>3.50%</u>	<u>3.16%</u>	<u>365 days</u>	<u>100 days</u>

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash and bank balances	13,564,890	5,015,359	259,661	40,755
Bank overdrafts (Note 25)	(5,215,437)	(5,872,184)	-	-
	<u>8,349,453</u>	<u>(856,825)</u>	<u>259,661</u>	<u>40,755</u>

22. Share capital

	Number of shares		Amount	
	2009	2008	2009 RM	2008 RM
Authorised				
Ordinary shares of RM1 each	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid				
Ordinary shares of RM1 each	<u>75,250,601</u>	<u>75,250,601</u>	<u>75,250,601</u>	<u>75,250,601</u>

23. Share premium

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

Notes To The Financial Statements

31 December 2009

24. Retained earnings/(accumulated losses)

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 2009, it has sufficient tax credits and tax exempt profits to frank dividends out of its entire retained earnings without incurring any additional tax liability.

25. Borrowings

	Group	
	2009 RM	2008 RM
Short term borrowings		
Bank overdrafts (Note 21)	5,215,437	5,872,184
Bankers' acceptances	44,502,613	49,449,614
Trust receipts	7,090,787	1,612,887
Term loans	485,788	424,633
Finance lease payables (Note 26)	2,615,249	2,778,142
	<u>59,909,874</u>	<u>60,137,460</u>
Long term borrowings		
Term loans	2,413,801	2,931,026
Finance lease payables (Note 26)	3,725,847	3,077,209
	<u>6,139,648</u>	<u>6,008,235</u>
Total borrowings		
Bank overdrafts	5,215,437	5,872,184
Bankers' acceptances	44,502,613	49,449,614
Trust receipts	7,090,787	1,612,887
Term loans	2,899,589	3,355,659
Finance lease payables	6,341,096	5,855,351
	<u>66,049,522</u>	<u>66,145,695</u>
Maturity of borrowings		
Not later than one year	59,909,874	60,137,460
Later than one year and not later than 2 years	1,943,956	2,880,484
Later than 2 year and not later than 5 years	3,450,445	2,053,991
Later than 5 years	745,247	1,073,760
	<u>66,049,522</u>	<u>66,145,695</u>

The weighted average interest effective rates per annum at the balance sheet date for borrowings were as follows:

	Group	
	2009 %	2008 %
Bank overdrafts	7.66	8.19
Bankers' acceptances	3.99	4.24
Trust receipts	6.80	8.00
Term loans	5.03	7.02
Finance lease payables	5.24	5.02

Notes To The Financial Statements

31 December 2009

25. Borrowings (continued)

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 12 and 14. The borrowings are additionally guaranteed by a director of a subsidiary and certain directors of the Company.

26. Finance lease payables

	Group	
	2009 RM	2008 RM
Minimum finance lease payments :		
Not later than one year	2,949,690	3,048,912
Later than one year and not later than 2 years	1,566,150	2,080,938
Later than 2 years and not later than 5 years	2,549,093	1,198,531
	<u>7,064,933</u>	<u>6,328,381</u>
Less : Future finance charges	(723,837)	(473,030)
	<u>6,341,096</u>	<u>5,855,351</u>
Present value of finance lease payables :		
Not later than one year	2,615,249	2,778,142
Later than one year and not later than 2 years	1,359,942	2,428,600
Later than 2 years and not later than 5 years	2,365,905	648,609
	<u>6,341,096</u>	<u>5,855,351</u>
Due within 12 months (Note 25)	(2,615,249)	(2,778,142)
Due after 12 months (Note 25)	<u>3,725,847</u>	<u>3,077,209</u>

27. Deferred tax liabilities

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
At 1 January	3,074,898	3,234,384	-	(20,340)
Recognised in income statement (Note 8)	38,108	(159,486)	-	20,340
At 31 December	<u>3,113,006</u>	<u>3,074,898</u>	-	-
Relating to:				
Temporary differences on property, plant and equipment	8,545,508	8,505,798	-	-
Unabsorbed capital allowances	(216,449)	(83,000)	-	-
Unabsorbed re-investment allowances	(5,216,918)	(5,349,096)	-	-
Others	865	1,196	-	-
	<u>3,113,006</u>	<u>3,074,898</u>	-	-

Notes To The Financial Statements

31 December 2009

27. Deferred tax liabilities (continued)

The following items were not recognised for deferred tax assets:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Unutilised tax losses	1,848,000	368,000	-	-
Unabsorbed capital allowances	572,000	256,000	-	-
Unabsorbed reinvestment allowances	1,493,000	113,000	-	-
	<u>3,913,000</u>	<u>737,000</u>	<u>-</u>	<u>-</u>

28. Trade payables

The credit terms granted to the Group range from 30 to 120 (2008: 30 to 120) days.

29. Contingent liabilities

	Company	
	2009 RM	2008 RM
Unsecured corporate guarantees given to bank for credit facilities granted to subsidiaries	<u>92,676,000</u>	<u>59,752,000</u>

30. Significant related party transactions

(a) The transactions below have been entered into in the normal course of business and established on negotiated and mutually agreed basis:

	Group	
	2009 RM	2008 RM
Sales to companies in which Tay Kim Huat, a director of a subsidiary, has indirect interest :		
- Poh Huat Furniture Industries Vietnam Limited	-	2,775,236
- Poh Huat Furniture Industries (M) Sdn. Bhd.	-	1,586,672
Sales to company in which a substantial shareholder has interest		
- Perfect Food Manufacturing (M) Sdn. Bhd.	<u>1,699,072</u>	<u>1,747,507</u>

Notes To The Financial Statements

31 December 2009

30. Significant related party transactions (continued)

	Company	
	2009 RM	2008 RM
Net dividend received from subsidiaries:		
- Ornapaper Industry (M) Sdn. Bhd.	512,500	-
- Ornapaper Industry (Perak) Sdn. Bhd.	800,000	-
Commision paid to subsidiary:		
- Ornapaper Industry (BP) Sdn. Bhd.	75,741	-
Management fee charged to subsidiaries:		
- Ornapaper Industry (M) Sdn. Bhd.	140,000	140,000
- Ornapaper Industry (Perak) Sdn. Bhd.	50,000	50,000
- Ornapaper Industry (BP) Sdn. Bhd.	19,554	10,000

(b) Remuneration of key management personnel

The remuneration of key management personnel, including directors, is disclosed in Note 6.

31. 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	
	2009 RM	2008 RM
Not later than one year	93,960	57,540
Later than one year but not later than 2 years	38,400	21,600
	<u>132,360</u>	<u>79,140</u>

32. Financial instruments

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines and the Group's policy is not to engage in speculative transactions.

Notes To The Financial Statements

31 December 2009

32. Financial instruments (continued)

(b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest-bearing assets as at 31 December 2009.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

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

(c) Foreign exchange risk

The Group is exposed to fluctuations in foreign exchange rates, mainly that of the United States Dollars. Foreign currency denominated liabilities together with expected cash flows to highly probable purchases give rise to foreign exchange exposures.

The unhedged financial assets/(liabilities) of the Group that are denominated in United States Dollars, are as follows:

	Financial assets/(liabilities)	
	2009	2008
	RM	RM
Trade receivables	73,302	144,149
Other receivables	-	18,960
Other payables	(82,013)	(25,797)

(d) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent 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 of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Notes To The Financial Statements

31 December 2009

32. Financial instruments (continued)

(e) Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments except as disclosed in Notes 19 and 20.

(f) Fair Values

It is not practical to ascertain the fair values of the investments in subsidiaries and other unquoted investments because of the absence of market quoted prices and the inability to ascertain fair values without incurring excessive costs.

The carrying amounts of long term borrowings approximate fair values as the interest rates charged on these borrowings are either close to, or pegged to, market interest rates for loans of similar risk profile as at balance sheet date. The carrying amounts of other financial assets and other financial liabilities approximate fair values in view of their relatively short maturity periods.

33. Segment information

The Group operates in Malaysia and is principally involved in manufacturing and sale of corrugated board and carton boxes in Malaysia. Hence, there is no primary or secondary segment information to report.

List Of The Group Properties

As At 31 December 2009

Register Owner	Title / Location	Land Area (Square Metres)	Tenure From / To	Existing Use	Approximate Age of Building (Years)	Date of Acquisition	Net Book Value As at 31/12/2009 (RM'000)
OISB(M)	H. S. (M) 455 to H. S. (M) 470 Lot PT4944 to PT4953 Mukim of Bachang, District of Melaka Tengah, Melaka	33,720	Leasehold 99 Years Expiring On 24/09/2094	Industrial		15-Jan-96	17,074
OISB(M)	H. S. (M) 471 to H. S. (M) 475 Lot PT4960 to PT4964 Mukim of Bachang, District of Melaka Tengah, Melaka	17,246	Leasehold 99 Years Expiring On 24/09/2094	Industrial	13	04-Mar-02	
PKNM*	Lot PT 6127, Kawasan Perindustrian Batu Berendam IV, Melaka Factory No.: 8998, Kawasan Perindustrian Batu Berendam (Phase V) (Taman Perindustrian Batu Berendam), Batu Berendam, Melaka.	6,822		Industrial (Former Service Road)		01-Aug-03	
OISB(BP)	H. S. (D) 43095 Lot. No. PLO 271 (PTD39208), Mukim of Simpang Kanen, District of Batu Pahat, Johor Darul Takzim Factory No. PLO 271, Jalan Kawasan Perindustrian Sri Gading, 83009 Batu Pahat, Johor Darul Takzim	20,485	Leasehold 60 Years Expiring On 10/07/2060	Industrial	12	27-Oct-97	3,396
OISB(PERAK)	H. S. (D) 10127, H.S. (D) 101313 To H. S. (D) 10135 Lot PT 80950, PT 80954 to PT 80958 Mukim of Hulu Kinta, District of Kinta, State of Perak Factory No. Plot 9, Persiaran Perindustrian Kanthan 2, Industrial Estate, 31200 Chemor, Perak Darul Ridzuan	42,898	Leasehold 60 Years Expiring On 21/2051	Industrial	19	25-May-90	7,415
TPSB	H. S. (M) 1776 Lot PT 67 Mukim of Bukit Kati, District of Melaka Tengah, State of Melaka. Factory No. 125, Ayer Keroh Industrial Estate, Ayer Keroh, 75450 Melaka.	10,604	Leasehold 99 Years Expiring On 7/4/2075	Industrial	30	19-Jun-00	2,248
OISB(JOHOR)	H. S. (M) 235151 Lot P.T.D., 113285 Mukim of Plentong, District of Johor Bahru, State of Johor. Factory No. 33, Jalan Cenderai 6, Taman Perindustrian Kota Puteri, 81750 Masai, Johor	6,070	Leasehold 60 Years Expiring On 10/7/2056	Industrial	3	14-Mar-02	2,649

PKNM - Perbadanan Kemajuan Negeri Melaka
* OISB(M) had purchased the land from PKNM as Sale and Purchase agreement Dated 01/08/2003

TPSB - Tripack Packaging (M) Sdn. Bhd.
OISB (JOHOR) - Onapaper Industry (Johor) Sdn. Bhd.

Notes:- OISB(M) - Onapaper Industry (M) Sdn. Bhd.
OISB(BP) - Onapaper Industry (Batu Pahat) Sdn. Bhd.
OISB(PERAK) - Onapaper Industry (Perak) Sdn. Bhd.

Analysis Of Shareholdings

As At 7 May 2010

Class of Shares : RM1.00 Ordinary Share
Voting Rights : 1 Vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDERS

Range	No. of Shareholders	%	No. of Shares	%
1 to 99	8	0.39	359	0.00
100 to 1,000	387	19.03	366,105	0.49
1,001 to 10,000	1,162	57.13	5,874,000	7.81
10,001 to 100,000	424	20.84	13,203,460	17.55
100,001 to 3,762,529	50	2.46	18,291,799	24.30
3,762,530 and above	3	0.15	37,514,878	49.85
	2,034	100.00	75,250,601	100.00

SUBSTANTIAL SHAREHOLDERS

Name	Direct No. of Shares	%	Indirect No. of Share	%
Intisari Delima Sdn Bhd	18,634,888	24.76	-	-
Lembaga Tabung Haji	13,505,945	17.95	-	-
Lim Tau Lih	5,374,045	7.14	-	-
Ang Kwee Teng	10,000	-	* 18,634,888	24.76
See Wan Seng	-	-	* 18,634,888	24.76
Sai Chin Hock	846,400	1.12	# 22,305,798	29.64

3. DIRECTORS' SHAREHOLDINGS

(Based on the Register of Directors' Shareholdings)

Name	No. of Shares	%	No. of Shares	%
Azhar bin Nayan	25,000	0.03	-	-
Lim Tau Lih	5,374,045	7.14	-	-
Ang Kwee Teng	10,000	0.01	18,634,888 *	24.76
See Wan Seng	-	-	18,634,888 *	24.76
Adillah binti Ahmad Nordin	14,000	0.02	-	-
Siow Kee Yen	130,500	0.17	-	-
Sai Chin Hock	846,400	1.12	22,305,798 #	29.64

Notes :-

* Deemed interested by virtue of their substantial shareholdings in Intisari Delima Sdn Bhd

Deemed interested through his substantial shareholdings in Intisari Delima Sdn Bhd; his sons, Sai Seak Chyuan's direct shareholdings in the Company and Sai Tzy Horng's, substantial shareholdings in Pilihan SistematiK Sdn Bhd

Analysis Of Shareholdings

As At 7 May 2010

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

Name of Shareholders	No. of Shares Hold	%
1. INTISARI DELIMA SDN BHD	18,634,888	24.76
2. LEMBAGA TABUNG HAJI	13,505,945	17.95
3. LIM TAU LIH	5,374,045	7.14
4. SAI SEAK CHYUAN	2,568,586	3.41
5. KEVIN GAN KONG CHEE	1,872,900	2.49
6. LAU CHEE WEN	1,857,500	2.47
7. GRANDEUR LAND SDN BHD	1,000,000	1.33
8. YANG, WEI-CHEN	990,489	1.32
9. SAI CHIN HOCK	846,400	1.12
10. JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON MENG HENG (MARGIN)	710,100	0.94
11. SAI SEAK CHYUAN	643,000	0.85
12. CHIANG WEN CHOU	535,000	0.71
13. PILIHAN SISTEMATIK SDN BHD	459,324	0.61
14. GOH CHOON HONG	380,000	0.50
15. LIM ENG KONG	347,500	0.46
16. RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOO KAI SENG	289,900	0.39
17. YAP NYO NYOK @ YAP YOON JIN	265,000	0.35
18. KHOO KIM KAI	252,500	0.34
19. S'NG HOOI SEAH	225,800	0.30
20. OOI LENG HWA	215,000	0.29
21. CHIN LIAN FOON	211,000	0.28
22. HUANG, CHIEN-YI	200,000	0.27
23. LEE SIEW LENG	200,000	0.27
24. LIM KAH ENG	200,000	0.27
25. KOO BOON LONG	192,900	0.26
26. LIM HUI FEN	180,000	0.24
27. WONG EE-COLN	179,500	0.24
28. SAI SWEE SEONG	170,500	0.23
29. THEN FOOK KHIAN	167,000	0.22
30. MAH CHET HONG	166,000	0.22
Total	52,840,777	70.23

Form Of Proxy

CDS ACCOUNT NO.

NUMBER OF SHARES HELD

*I/We _____ NRIC No./Company No. _____
of (full address) _____
being a Member/Members of ORNAPAPER BERHAD, hereby appoint _____
NRIC No. _____ of _____
or failing *him/her, _____ NRIC No. _____ of _____

or failing *him/her, the CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the Eighth Annual General Meeting of the Company to be held at the Conference Room at No. 8998, Kawasan Perindustrian Peringkat 4, Batu Berendam, 75350 Melaka on Tuesday, 29 June 2010 at 10.30 am and at any adjournment thereof.

No.	Resolutions	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and the Auditors thereon.		
2.	To approve the payment of Directors' Fees for the financial year ended 31 December 2009.		
3.	To re-elect Mr. Sai Chin Hock who retires pursuant to Article 98 of the Company's Articles of Association.		
4.	To re-elect Mr. Ang Kwee Teng who retires pursuant to Article 92 of the Company's Articles of Association.		
5.	To re-elect Mr. Lim Tau Lih who retires pursuant to Article 92 of the Company's Articles of Association.		
6.	To re-appoint Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
7.	Special Business <u>Ordinary Resolution</u> - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
8.	Special Business <u>Ordinary Resolution</u> - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
9.	Special Business <u>Ordinary Resolution</u> - Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
10.	Special Business <u>Special Resolution</u> - Proposed Amendment to the Articles of Association of the Company		

* Strike out whichever not applicable.

Please indicate with an "X" in the space provided above how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

As witness my/our hand(s) this _____ day of _____ 2010.

Signature of Member/Common Seal

Notes:

1. In respect of deposited security, only members whose names appear in the Record of Depositors on 21 June 2010 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
2. A member entitled to attend and vote at this Meeting is entitled to appoint more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.
3. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he or she specifies the proportion of his or her holdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 1A, 6th Floor, Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra, Batu Berendam, 75350 Melaka not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

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Affix
Stamp
Here

The Company Secretary
ORNAPAPER BERHAD (573695-W)
Lot 1A, 6th Floor, Menara Pertam,
Jalan BBP 2, Taman Batu Berendam Putra,
Batu Berendam, 75350 Melaka
MALAYSIA

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