# ORNAPAPER BERHAD
(573695-W)

Annual Report | 2011

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# Notice Of The Tenth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Friday, 29 June 2012 at 10.30 a.m. for the following purposes:-

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Explanatory Note 2(i))**

2. To approve the payment of Directors' fees for the financial year ended 31 December 2011. (Resolution 1)

3. To re-elect the following Directors who are retiring in accordance to Article 92 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Mr. Ang Kwee Teng (Resolution 2)
   (b) Tuan Haji Azhar bin Nayan (Resolution 3)

4. To re-appoint Messrs. 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. (Resolution 4)

5. As Special Business, to consider and if thought fit, to pass the following resolutions with or without modifications:

   **Ordinary Resolution 1**
   - **Authority to Issue and Allot Shares** (Resolution 5)

   THAT subject always to the approvals of the relevant authorities and pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue and allot ordinary shares in the Company at any time, upon such terms and conditions, for such purposes and to such person(s) as the Directors may in their discretion deem fit provided that the aggregate number of ordinary shares to be issued does not exceed ten per centum (10%) of the total issued share capital of the Company at the time of issue and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

   **Ordinary Resolution 2** (Resolution 6)
   - **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Perfect Food Manufacturing (M) Sdn. Bhd. ("PFM")**

   THAT pursuant to paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiary companies be and are hereby authorised to enter into and give effect to recurrent related party transactions of a revenue or trading nature with PFM, a company related to Mr. Sai Chin Hock, who is a Director and major shareholder of the Company, as set out in Section 2.3 of the Circular to Shareholders dated 7 June 2012, which are necessary for the Group's day-to-day operations in the ordinary course of business, on terms not more favourable than those generally available to the public and not detrimental to the minority shareholders of the Company.

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

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless authority is renewed by resolution passed at the next AGM;

(ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, before the next AGM;

whichever is earlier;

AND THAT the Directors of the Company be authorised to act for and on behalf of the Company, to take all such steps and execute all necessary documents as they may consider expedient or deem fit in the best interest of the Company to give effect to the transactions contemplated and/or authorised by this resolution.

**Ordinary Resolution 3** (Resolution 7)

- **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Greatbrand Food Industries Sdn. Bhd. ("GFI")**

THAT pursuant to paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiary companies be and are hereby authorised to enter into and give effect to recurrent related party transactions of a revenue or trading nature with GFI, a company related to Mr. Sai Chin Hock, who is a Director and major shareholder of the Company, as set out in Section 2.3 of the Circular to Shareholders dated 7 June 2012, which are necessary for the Group's day-to-day operations in the ordinary course of business, on terms not more favourable than those generally available to the public and not detrimental to the minority shareholders of the Company.

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

(i) the conclusion of the next AGM of the Company, at which time it will lapse, unless authority is renewed by resolution passed at the next AGM;

(ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Act, (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, before the next AGM;

# Notice Of The Tenth Annual General Meeting

whichever is earlier;

AND THAT the Directors of the Company be authorised to act for and on behalf of the Company, to take all such steps and execute all necessary documents as they may consider expedient or deem fit in the best interest of the Company to give effect to the transactions contemplated and/or authorised by this resolution.

**Ordinary Resolution 4**
- **Proposed Share Buy-Back of up to 10% of the Issued and Paid-Up Share Capital of ORNA** (Resolution 8)

THAT subject always to the Companies Act, 1965 ("the Act"), the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and the approvals of all relevant governmental and/or regulatory authorities, the Company be authorised to the extent permitted by the law to buy-back such amount of ordinary shares of RM1.00 each in the Company's issue and paid-up capital as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors deem fit and expedient in the interest of the Company provided that:

(i) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed 10% of the total issued and paid-up share capital of the Company at any point in time; and
(ii) the maximum amount of funds to be allocated for the share buy-back shall not exceed the aggregate of the retained profits and/or share premium of the Company.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manners:-

(a) cancel all the purchased ordinary shares; and/or
(b) retain the purchased ordinary shares as treasury shares for distribution as dividend to shareholders and/or resell on the market of Bursa Securities; and/or
(c) retain part of the purchased ordinary shares as treasury shares and cancel the remainder.

THAT the authority conferred by this resolution shall continue to be in force until:

(i) the conclusion of the first annual general meeting following the general meeting at which such resolution was passed at which time it will lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
(ii) the expiration of the period within which the next annual general meeting after that date is required by law to be held; or
(iii) revoked or varied by ordinary resolution passed by shareholders of the company at a general meeting of the Company.

# Notice Of The Tenth Annual General Meeting

whichever occurs first;

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary and/or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the shares bought-back) in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Securities, and all other relevant governmental and/or regulatory authorities.

**Special Resolution**

- **Proposed Amendments to the Articles of Association of the Company** (Resolution 9)

THAT the proposed amendments, modifications, additions or deletions to the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders dated 7 June 2012 be and are hereby approved and adopted AND THAT, the Board of Directors be and is hereby authorised to give effect to the said amendments, modifications, additions or deletions.

6. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965 and the Articles of Association of the Company.

By Order of the Board

Chua Siew Chuan (MAICSA 0777689)
Sean Ne Teo (LS 0008058)
Company Secretaries

Melaka
Date: 7 June 2012

# Notice Of The Tenth Annual General Meeting

**NOTES:**

**1. Appointment of Proxy**

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2012 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

(ii) A member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote in his stead. A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualifications of the proxy.

(iii) In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) The instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn. Bhd. of Lot 1A, 6th Floor, Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra, 75350 Batu Berendam, Melaka not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

**2. Explanatory Notes to Special Business:-**

(i) Item 1 of the Agenda

The Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

(ii) Proposed Ordinary Resolution 1

The proposed Ordinary Resolution 1, if passed, will empower the Directors of the Company to issue and allot not more than 10% of the Company's total issued share capital speedily without having to convene a general meeting. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

Instances for which the Company may issue new shares within this general mandate include but not limited to the purpose(s) of raising fund through private placement for investments, working capital and/or acquisitions.

# Notice Of The Tenth Annual General Meeting

This general mandate sought by the Company is to renew the general mandate granted to the Directors at the Ninth Annual General Meeting held on 29 June 2011 to issue shares pursuant to Section 132D of the Companies Act, 1965.

(iii) Proposed Ordinary Resolutions 2 and 3

The proposed adoption of Ordinary Resolutions 2 and 3 are to renew the Shareholders' Mandate granted by the shareholders of the Company at the Ninth Annual General Meeting held on 29 June 2011. The proposed renewal of the Shareholders' Mandate will enable the Group to enter into the 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 favorable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Further information on the proposed Ordinary Resolutions 2 and 3 are set out in the Circular to Shareholders dated 7 June 2012.

(iv) Proposed Ordinary Resolution 4

The proposed adoption of Ordinary Resolution 4, if passed, is to empower the Directors to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company by utilising the retained profits and the share premium accounts of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

(v) Proposed Special Resolution

The proposed adoption of the Special Resolution will bring the Company's Articles of Association in line with the recent amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, where applicable, and to enhance administrative efficiency.

# Corporate Information

| | |
|---|---|
| **BOARD OF DIRECTORS** | : Mr. Sai Chin Hock<br>Mr. Ang Kwee Teng<br>Mr. See Wan Seng<br>(Executive Directors)<br><br>Tuan Haji Azhar bin Nayan<br>(Non-Independent Non-Executive Director)<br><br>Mr. Siow Kee Yen<br>Puan Adillah binti Ahmad Nordin<br>(Independent Non-Executive Directors) |
| **AUDIT COMMITTEE** | Mr. Siow Kee Yen (Chairman)<br>Puan Adillah binti Ahmad Nordin<br>Tuan Haji Azhar bin Nayan |
| **NOMINATION COMMITTEE** | Mr. Siow Kee Yen (Chairman)<br>Puan Adillah binti Ahmad Nordin<br>Tuan Haji Azhar bin Nayan |
| **REMUNERATION COMMITTEE** | Puan Adillah binti Ahmad Nordin (Chairperson)<br>Mr. Siow Kee Yen<br>Tuan Haji Azhar bin Nayan |
| **COMPANY SECRETARIES** | Ms. Chua Siew Chuan (MAICSA 0777689)<br>Ms. Sean Ne Teo (LS 0008058) |
| **REGISTERED OFFICE** | Lot 1A, 6th Floor<br>Menara Pertam, Jalan BBP 2,<br>Taman Batu Berendam Putra<br>Batu Berendam, 75350 Melaka.<br>Tel: 06-3355210 Fax: 06-3355570 |
| **SHARE REGISTRAR** | Tricor Investor Services Sdn Bhd<br>Level 17, The Gardens North Tower<br>Mid Valley City<br>Lingkaran Syed Putra<br>59200 Kuala Lumpur<br>Tel: 603-22643883 Fax: 603-22821886<br>is.enquiry@my.tricorglobal.com |
| **AUDITORS** | Ernst & Young (AF 0039)<br>Chartered Accountants<br>Lot 1, 6th Floor<br>Menara Pertam, Jalan BBP 2,<br>Taman Batu Berendam Putra<br>Batu Berendam, 75350 Melaka. |
| **STOCK EXCHANGE LISTING** | Main Market of Bursa Malaysia<br>Securities Berhad |

# Profile of Directors

## Mr Sai Chin Hock

| | |
|---|---|
| Age | : 63 |
| 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 | : None |
| 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 | : None |
| Conflict of interest with the Company | : None |
| List of conviction for offences within the past 10 years | : None |

## Tuan Haji Azhar bin Nayan

| | |
|---|---|
| Age | : 49 |
| 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 (since 1989); 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 | : None |
| Conflict of interest with the Company | : None |
| List of conviction for offences within the past 10 years | : None |

# Profile of Directors

## Mr See Wan Seng

| | |
|---|---|
| Age | : 65 |
| 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, rejoined from 2010 to present); Director of Tripack Packaging (M) Sdn Bhd (2004 to 2008, rejoined since 2010). |
| Directorship on other Public Companies | : None |
| 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 | : None |
| Conflict of interest with the Company | : None |
| List of Conviction for offences within the past 10 years | : None |

## Mr Siow Kee Yen

| | |
|---|---|
| Age | : 41 |
| 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. (since 2001) |
| Directorship in other Public Companies | : None |
| Securities holding in the Company and its subsidiaries | : Direct - 230,500 shares |
| | : Deemed - Nil |
| Family relationship with any directors and / or major shareholders of the Company | : None |
| Conflict of interest with the Company | : None |
| List of conviction for offences within the past 10 years | : None |

# Profile of Directors

### Puan Adillah binti Ahmad Nordin

| | |
|---|---|
| Age | : 43 |
| 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 | : None |
| Securities holding in the Company and its subsidiaries | Direct – 34,000 shares<br>: Deemed – Nil |
| Family relationship with any directors and/ or major shareholders of the Company | : None |
| Conflict of interest with the Company | : None |
| List of conviction for offences within the past 10 years | : None |

### Mr Ang Kwee Teng

| | |
|---|---|
| Age | : 62 |
| 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 (since1995) |
| Directorship in other Public Companies | : Golsta Synergy Berhad |
| Securities holding in the Company and its subsidiaries | : Direct - 10,000<br>: Deemed - 18,634,888 shares |
| Family relationship with any directors and / or major shareholders of the Company | : None |
| Conflict of interest with the Company | : None |
| List of conviction for offences within the past 10 years | : None |

# Letter to Shareholders

On behalf of the Board of Directors, I am pleased to present the Group's Annual Report together with the Audited Financial Statements for the year ended 31 December 2011.

PERFORMANCE AND FINANCIAL REVIEW

The Group recorded a revenue of RM225.7 million for the year ended 31 December 2011, an increase of 4.25% as compared with a revenue of RM216.5 million in the previous financial year due to increase in demand of carton boxes.

The increased revenue coupled with continuous efforts in keeping costs down have resulted in the Group recording a net profit of RM5.86 million in the current financial year end, against a net profit of RM4.66 million in the previous financial year.

PROSPECTS

The Group expects the business performance to be challenging in 2012 due to repercussions from the Eurozone crisis which is expected to translate into softer demand for corrugated carton boxes.

Despite the less than encouraging environment, the Group will continue with the strategy to maintain its market share and improve production efficiency and productivity.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to the betterment of employees. On human capital, development strategy focuses on building individual accountability, management leadership, capabilities and competence. Core areas of training include business leadership, people skills, business management, financial management, service quality, safety at work and technical skills.

ACKNOWLEDGEMENT

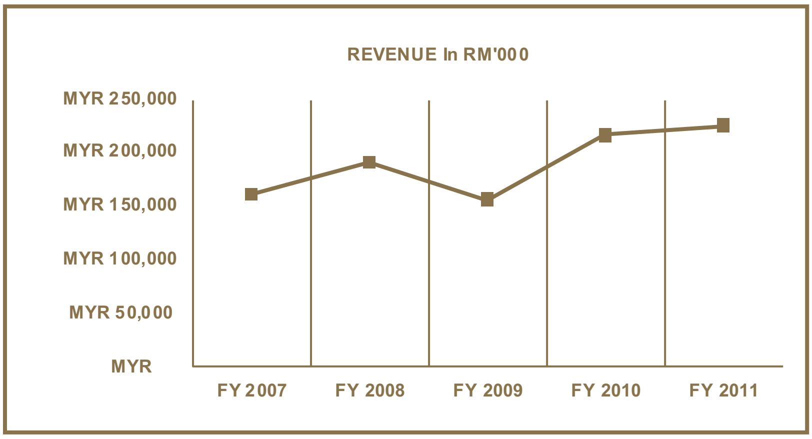
On behalf of the Board, I would like to extend our heartfelt thanks to our principals, business associates, government agencies, customers, suppliers and valued shareholders for their support throughout the year. We would also wish to thank the management and staff of Orna Group for their continued loyalty and commitment in discharging their duties.

On behalf of the Board,
Sai Chin Hock
Executive Director

# Financial Highlights

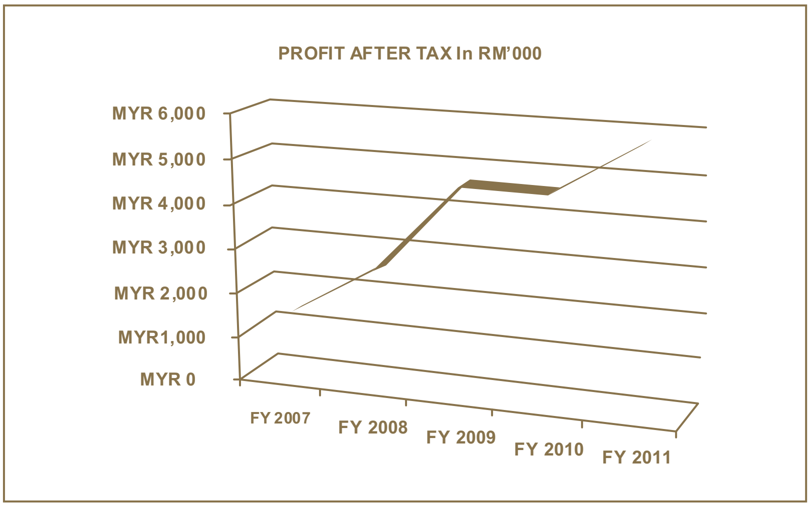
| In RM'000 (unless otherwise stated) | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|---|---|---|---|---|---|
| REVENUE | 160,835 | 190,586 | 156,461 | 216,517 | 225,668 |
| GROSS PROFIT | 30,178 | 29,061 | 30,693 | 34,741 | 38,449 |
| PROFIT AFTER TAX * | 1,485 | 2,584 | 4,605 | 4,589 | 5,801 |
| NET ASSET | 100,411 | 96,097 | 100,151 | 102,368 | 108,161 |
| NET ASSET PER SHARE (RM) | 1.33 | 1.28 | 1.33 | 1.36 | 1.44 |
| EPS BASIC (SEN) * | 2.00 | 3.40 | 6.10 | 6.10 | 7.70 |

* Attributable to Owners of Parent.




The significant decrease in turnover in 2009 was mainly due to exclusion of full year consolidation of oversea subsidiary namely Ornapaper Vietnam Co. Ltd. which was disposed off in 2008.

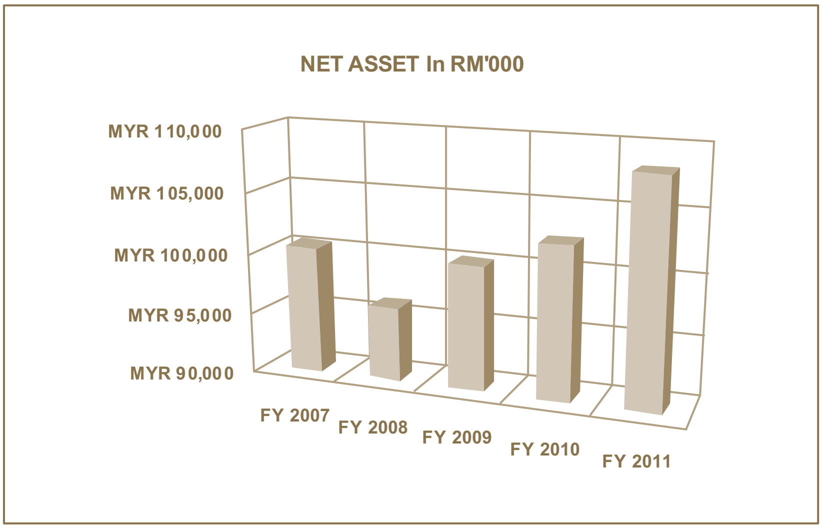
The significant increase in turnover in 2010 was mainly due to higher sales volume and selling prices.

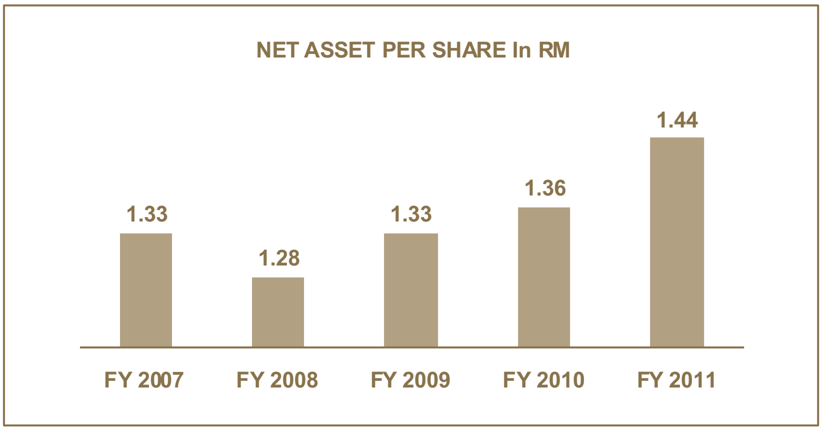


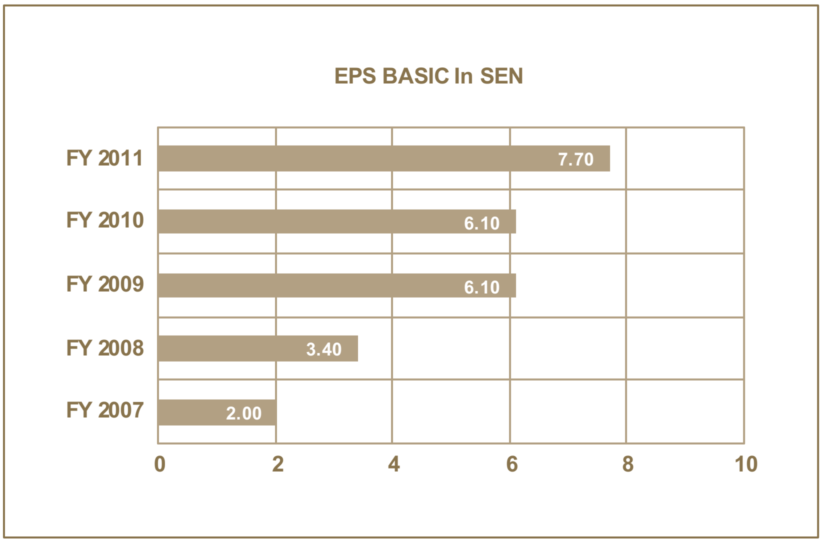

The Group registered a low profit after tax in 2007 due to share of substantial losses from an oversea subsidairy namely Ornapaper Vietnam Co. Ltd.

The significant increase in profit after tax in 2008 was mainly due to gain on disposal of the oversea subsidiary.

# Financial Highlights



# Statement On Corporate Governance

The Board of Directors ("the Board") is firmly committed to good corporate governance and recognises that accountability and transparency at every level of the organisation is essential in safeguarding assets, enhancing shareholders' value and maintaining strong financial performance.

The following statement outlines the manner in which the Group has applied the principles of the Malaysian Code on Corporate Governance ("the Code") and the extend of compliance with the Best Practices in Corporate Governance of the Code during the financial year ended 31 December 2011.

## THE BOARD OF DIRECTORS

The Group is headed by an effective Board with mixed knowledge, expertise and diverse academic background to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction. The Board currently has six (6) members, 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.

Profile of individual Directors are set out in pages 9 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 plan, overall management and business performance, management of principal risks and controls.

The Management Committee ("MC") assists the Board in the day-to-day operations of the Group. The MC comprises the Executive 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. Agenda and Board papers are provided to the Directors prior to the meeting to ensure that the Board is fully aware of the matters that are to be deliberated.

# Statement On Corporate Governance

During the financial year ended 31 December 2011, the Board had conducted five (5) meetings. Details of attendance of the Directors are as follows:-

| Names of Directors | Attendance |
|---|---|
| Ang Kwee Teng | 5/5 |
| See Wan Seng | 5/5 |
| Azhar bin Nayan | 5/5 |
| Siow Kee Yen | 5/5 |
| Adillah binti Ahmad Nordin | 4/5 |
| Sai Chin Hock | 3/5 |

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**

All the Directors have completed the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad. The Directors are mindful that they should receive continuous training in order to broaden their perspectives and equip them with the necessary skills to effectively discharge their duties as Directors of the Company.

The following are training programs, seminars and conferences attended by Directors of the Company during the financial year ended 31 December 2011:-

(i) Talk on Challenges In International Financial Reporting Standards
(ii) Talk on Managing Self, Managing Others
(iii) Oracle Security Inside Out Forum
(iv) New Continuous Auditing & Continuous Assurance
(v) Corporate Directors Conference: The Resurgence of Corporate Malaysia
(vi) Governance Programme Series Talk
(vii) The CEO and Conflicts of Interest
(viii) IIAM International Conference 2011

**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 composition and terms of reference of the Audit Committee are detailed in the Audit Committee Report appearing in pages 21 to 24 of this Annual Report.

**(ii) Nomination Committee**

The Nomination Commitee comprises the following three (3) Non-Executive Directors, two (2) of whom are independent:-

| | |
|---|---|
| Siow Kee Yen | (Chairman / Independent Non-Executive Director) |
| Adillah binti Ahmad Nordin | (Member / Independent Non-Executive Director) |
| Azhar bin Nayan | (Member / Non-Independent Non-Executive Director) |

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. This Committee is responsible in nominating to the Board, individuals as member of the Board and to assess the performance of the Board members on an ongoing basis to ensure effectiveness. The final decision to appoint a Director remains the responsibility of the full Board.

**(iii) Remuneration Committee**

The Board has set up a Remuneration Committee comprises the following three (3) Non-Executive Directors, two (2) of whom are independent:-

| | |
|---|---|
| Adillah binti Ahmad Nordin | (Chairperson / Independent Non-Executive Director) |
| Siow Kee Yen | (Member / Independent Non-Executive Director) |
| Azhar bin Nayan | (Member / Non-Independent Non-Executive Director) |

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. This Committee Is responsible for recommending to the Board the remuneration packages of the Executive Directors. The remuneration package of the Non-Executive Directors is the responsibility of the Board as a whole.

All Directors are paid meeting allowances for their attendance at Board and Board Committee meetings.

## 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 2011 are disclosed in Note 10 of the Notes to the Financial Statements 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 such remuneration is balanced with their expected roles and responsibilities. The Board maintain that the current remuneration for each category of Director commensurate with that adopted by companies of similar standing, and is sufficient to attract and retain Directors of high caliber.

The Board has considered the disclosure of details of the remuneration of each Director and 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 effective communication with shareholders and investors. Shareholders and investors are kept well informed of the Group's developments and performance through disclosures to Bursa Securities and the press (where applicable) as well as the Annual Report.

Adequate time is given during the Annual and Extraordinary General Meetings to allow shareholders to seek clarification or ask questions on pertinent and relevant matters.

In addition, the Company is always willing to meet up with institutional investors when the need arises, to elaborate or further clarify information already disclosed to the shareholders. Shareholders also can obtain up to-date information on the Group's latest quarterly financial report and announcements by accessing its website at HYPERLINK "http://www.ornapaper.com".

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board aims to present a balanced, clear and meaningful report on the Group's financial positions and business prospects to its shareholders, investors and the regulatory authorities via timely release of quarterly reports, annual reports and regular announcements on material business matters.

### Directors' Responsibility Statement

The Directors are responsible for taking reasonable steps to ensure the maintenance of proper accounting and other records and internal controls, the application of appropriate accounting policies and the safeguarding of assets of the Group.

The Board of Directors is 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 applicable Financial Reporting Standards in Malaysia 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.

### 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.

The Statement on Internal Control made in pursuance of paragraph 15.26(b) of the listing Requirements is set out in pages 25 to 26 of this Annual Report.

# Statement On Corporate Governance

**Relationship with External Auditors**

The role of the Audit Committee in relation to the external auditors is disclosed in the Audit Committee Report as set out in pages 21 to 24 of this Annual Report.

**Internal Audit Function**

The Group 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 RM15,805.

**ADDITIONAL COMPLIANCE INFORMATION**

**Utilisation of Proceeds**
The Company did not implement any fund raising exercise during the financial year.

**Share Buyback**
There were no shares buyback by the Company for the financial year.

**Options, Warrants or Convertible Securities**
The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2011.

**Depository Receipt Programme**
The Company did not sponsor any depository receipt programme during the financial year.

**Sanctions and/or Penalties**
There were no sanctions or material penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year ended 31 December 2011.

**Variance in Results**
There were no variance of 10% or more in the profit after tax and minority interest between the audited and unaudited results announced for the financial year ended 31 December 2011.

**Non-audit fees**
During the financial year, there were no non-audit fees paid by the Company and its subsidiaries to the Company's external auditors or a firm and its affiliates as professional fee.

**Profit Guarantee**
The Company did not give any profit guarantees during the financial year.

**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.

# Statement On Corporate Governance

**Recurrent Related Party Transactions of a Revenue or Trading Nature (RRPT)**
The breakdown of the aggregate value of the RRPT of a revenue or trading nature conducted pursuant to the Proposed Renewal of the Existing Shareholders' Mandate during the financial year ended 31 December 2011 are as follows:

| Name of Related Parties | Nature of RRPT | Aggregate value of transactions RM'000 |
|---|---|---|
| Perfect Food Manufacturing (M) Sdn Bhd * | Sales of corrugated carton boxes by OISB | 3,766 |
| Greatbrand Food Industries Sdn Bhd * | Sales of corrugated carton boxes by OISB | 791 |

*Companies in which Sai Chin Hock, a director and substantial shareholder, has interest.

The Company is seeking its shareholders' approval on RRPT of a revenue or trading nature to be entered by the Company's subsidiary companies with related parties in the ordinary course of business in the forthcoming AGM. Details of the transactions are furnished in the Circular to Shareholders, which is distributed together with the Annual Report.

# Audit Committee Report

## MEMBERSHIP

The members of the Audit Committee and details of attendance at the Audit Committee Meeting during the financial year ended 31 December 2011, where a total of five (5) meetings were held, are as follows:-

| *Name* | *Designation* | *Number of Meeting Attended* |
|---|---|---|
| Siow Kee Yen (Chairman) | Independent Non-Executive Director | 5/5 |
| Adillah binti Ahmad Nordin | Independent Non-Executive Director | 5/5 |
| Azhar bin Nayan | Non-Independent Non-Executive Director | 5/5 |

## 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").

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.

Mr.Siow Kee Yen meets the requirements of paragraph 15.09(c)(i) where he is a Chartered Accountant and a member of the Malaysian Institute of Accountant.

### 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.

**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:

(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.

# Audit Committee Report

**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

The Board of Directors is committed to maintaining a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The Board is pleased to provide the following Statement on Internal Control made in compliance with the Listing Requirements of Bursa Securities.

## RESPONSIBILITY

The Board acknowledges its responsibility to maintain a sound system of internal controls and the need to review its adequacy and integrity on a regular basis. The system of internal control cover, inter alia, risk management and financial, organizational, operational and compliance controls. The Board also recognizes that the system of internal control is designed to manage rather than eliminate the risk failure to achieve business objectives. In this regard, internal control can provide only reasonable and not absolute assurance against material misstatements or losses.

## RISK MANAGEMENT

The Risk Management Framework of the Group, which is embedded in the Company's management system, provides a structured approach in identifying, assessing and managing the risk faced by the Group.

The risk management functions are currently 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.

## MANAGEMENT PROCESS

The Board has always regarded that a well-defined organization and management structure and reporting line will reinforce the internal control of the Group. There is a formal organizational structure with delineated lines of authority, responsibility and accountability within the Group. The Board entrusts the daily running of the business to the Executive Directors ("ED") and has put in place suitably qualified and experienced Management personnel to head the Group's diverse operating units into delivering results.

In most operating units, periodic meetings are held to ensure that progress, exceptions and variations are fully discussed and appropriate actions are taken. This ensure that business objectives are met. Adequate reports/ meeting minutes are generated for reviews on various business/operating units of the Group.

The ED plays a pivotal role in communicating the Board's expectations of the system 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 EDs meet with departmental Managers regularly 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

## ASSURANCE MECHANISM

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

The internal audit function ("IAF") has been fully outsourced to a professional service provider firm. The IAF which reports directly to the AC, conducts reviews on the adequacy and effectiveness of the Group's system of internal control. These audits review the internal controls in the key activities of the Group's business based on an internal audit plan approved by the AC. The IAF provides the AC with reports highlighting observations, recommendations and action plans to improve the system of internal control. This help to provide reasonable assurance that the internal control function as intended as well as safeguarding the Group's investments and assets.

## CONCLUSION

The board is of the view that the system of internal control and risk management practices are effective to ensure that the level of risk to which the group is exposed to has been managed appropriately. The Board will continue the on-going process in identifying, evaluating and managing the significant risks faced by the group.

The statement is made in accordance with a resolution of the Board of Directors dated 23 April 2012.

# Financial Statements

# 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 2011.

**Principal activities**

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

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

**Results**

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit, net of tax, attributable to: | | |
| Owners of the parent | 5,801 | 1,059 |
| Non-controlling interest | 60 | - |
| | 5,861 | 1,059 |

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**

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend for 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:

Sai Chin Hock
See Wan Seng
Ang Kwee Teng
Siow Kee Yen
Tuan Haji Azhar bin Nayan
Adillah binti Ahmad Nordin

# 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 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 30 to the financial statements.

### Directors' interests

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

| | Number of ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| | **1.1.2011** | **Acquired** | **Sold** | **31.12.2011** |
| **Direct interest** | | | | |
| Sai Chin Hock | 846,400 | - | - | 846,400 |
| Ang Kwee Teng | 10,000 | - | - | 10,000 |
| Siow Kee Yen | 230,500 | - | - | 230,500 |
| Tuan Haji Azhar bin Nayan | 25,000 | - | - | 25,000 |
| Adillah binti Ahmad Nordin | 14,000 | 20,000 | - | 34,000 |
| **Indirect interest** | | | | |
| Sai Chin Hock | 22,305,798 | - | - | 22,305,798 |
| Ang Kwee Teng | 18,634,888 | - | - | 18,634,888 |
| See Wan Seng | 18,634,888 | - | - | 18,634,888 |

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

Other statutory information

(a) Before the statements of comprehensive income and the statements of financial position 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

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

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

(ii) 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 23 April 2012.

Sai Chin Hock    See Wan Seng

Melaka, Malaysia

# Statement By Directors

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

We, Sai Chin Hock and See Wan Seng, 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 34 to 83 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

The information set out in Note 37 on page 83 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 April 2012.

Sai Chin Hock

See Wan Seng

Melaka, Malaysia

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

I, See Wan Seng, 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 34 to 83 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 See Wan Seng
at Melaka in the State of Melaka
on 23 April 2012

See Wan Seng

Before me,

ONG SAN KEE
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 statements of financial position of the Group and of the Company as at 31 December 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 83.

*Directors' responsibility for the financial statements*

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

*Auditors' responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

# Independent Auditors' Report To The Members Of Ornapaper Berhad

**Report on other legal and regulatory requirements**

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

**Other matters**

The supplementary information set out in Note 37 to the financial statements on page 83 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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
2187/09/13(J)
Chartered Accountant

Melaka, Malaysia
Date: 23 April 2012

# Statements Of Comprehensive Income

(For The Financial Year Ended 31 December 2011)

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Revenue** | 4 | 225,668 | 216,517 | 1,637 | 451 |
| Cost of goods sold | | (187,219) | (181,776) | - | - |
| **Gross profit** | | 38,449 | 34,741 | 1,637 | 451 |
| **Other items of income** | | | | | |
| Interest income | 5 | 65 | 11 | 1 | - |
| Other income | 6 | 1,164 | 1,028 | - | - |
| **Other items of expense** | | | | | |
| Administrative expenses | | (7,654) | (7,402) | (184) | (262) |
| Selling and marketing expenses | | (15,144) | (12,507) | (4) | (4) |
| Finance costs | 7 | (3,365) | (3,136) | - | - |
| Other expenses | | (6,498) | (5,876) | (91) | (89) |
| **Profit before tax** | 8 | 7,017 | 6,859 | 1,359 | 96 |
| Income tax expense | 11 | (1,156) | (2,201) | (300) | (7) |
| **Profit, net of tax, representing total comprehensive income for the year** | | 5,861 | 4,658 | 1,059 | 89 |
| **Profit attributable to:** | | | | | |
| Owners of the parent | | 5,801 | 4,589 | 1,059 | 89 |
| Non-controlling interest | | 60 | 69 | - | - |
| | | 5,861 | 4,658 | 1,059 | 89 |
| **Earnings per share attributable to owners of the parent (sen)** | | | | | |
| Basic | 12 | 7.7 | 6.1 | | |
| Diluted | 12 | 7.7 | 6.1 | | |

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

# Statements Of Financial Position

(As at 31 December 2011)

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | 97,597 | 86,194 | - | - |
| Land use rights | 14 | 4,553 | 3,726 | - | - |
| Investment in subsidiaries | 15 | - | - | 77,185 | 75,585 |
| Goodwill | 16 | 1,633 | 1,633 | - | - |
| Investment securities | 17 | - | 244 | - | - |
| | | 103,783 | 91,797 | 77,185 | 75,585 |
| **Current assets** | | | | | |
| Inventories | 18 | 22,027 | 23,655 | - | - |
| Trade and other receivables | 19 | 54,837 | 58,674 | 10,267 | 10,780 |
| Cash and bank balances | 20 | 6,495 | 12,545 | 180 | 215 |
| Tax recoverable | | 655 | 597 | 149 | 142 |
| Other current assets | 21 | 5,323 | 3,725 | 10 | 10 |
| | | 89,337 | 99,196 | 10,606 | 11,147 |
| Assets held for sale | 22 | - | 440 | - | - |
| | | 89,337 | 99,636 | 10,606 | 11,147 |
| **Total assets** | | 193,120 | 191,433 | 87,791 | 86,732 |
| **Equity and liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Borrowings | 23 | 57,220 | 53,837 | - | - |
| Trade and other payables | 24 | 18,962 | 25,866 | 31 | 31 |
| Current tax payable | | 110 | 313 | - | - |
| | | 76,292 | 80,016 | 31 | 31 |
| *Net current assets* | | *13,045* | *19,620* | *10,575* | *11,116* |
| **Non-current liabilities** | | | | | |
| Borrowings | 23 | 5,362 | 6,103 | - | - |
| Deferred tax liabilities | 25 | 3,305 | 2,946 | - | - |
| Non-current liabilities | | 8,667 | 9,049 | - | - |
| **Total liabilities** | | 84,959 | 89,065 | 31 | 31 |
| *Net assets* | | *108,161* | *102,368* | *87,760* | *86,701* |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 26 | 75,251 | 75,251 | 75,251 | 75,251 |
| Share premium | 27 | 11,156 | 11,156 | 11,156 | 11,156 |
| Retained earnings | 28 | 21,157 | 15,356 | 1,353 | 294 |
| | | 107,564 | 101,763 | 87,760 | 86,701 |
| Non-controlling interest | | 597 | 605 | - | - |
| **Total equity** | | 108,161 | 102,368 | 87,760 | 86,701 |
| **Total equity and liabilities** | | 193,120 | 191,433 | 87,791 | 86,732 |

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

# Statements Of Changes In Equity

(For The Financial Year Ended 31 December 2011)

| | Note | Non-distributable Share capital RM'000 | Share premium RM'000 | Distributable Retained earnings RM'000 | Attributable to owners of the parent RM'000 | Non-controlling interest RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **At 1 January 2010** | | 75,251 | 11,156 | 13,208 | 99,615 | 536 | 100,151 |
| Effects of adopting FRS 139: | | | | | | | |
| - Fair value adjustment on investment securities | 17 | - | - | (10) | (10) | - | (10) |
| - Impairment loss on trade and other receivables | 19 | - | - | (3,241) | (3,241) | - | (3,241) |
| - Deferred tax effect | 25 | - | - | 810 | 810 | - | 810 |
| | | 75,251 | 11,156 | 10,767 | 97,174 | 536 | 97,710 |
| Total comprehensive income | | - | - | 4,589 | 4,589 | 69 | 4,658 |
| **At 31 December 2010** | | 75,251 | 11,156 | 15,356 | 101,763 | 605 | 102,368 |
| Total comprehensive income | | - | - | 5,801 | 5,801 | 60 | 5,861 |
| - Dividends on ordinary shares | 29 | - | - | - | - | (68) | (68) |
| **At 31 December 2011** | | 75,251 | 11,156 | 21,157 | 107,564 | 597 | 108,161 |

# Statements Of Changes In Equity

(For The Financial Year Ended 31 December 2011)

| Company | Non-distributable Share capital RM'000 | Share premium RM'000 | Distributable Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|---|
| **At 1 January 2010** | 75,251 | 11,156 | 205 | 86,612 |
| Total comprehensive income | - | - | 89 | 89 |
| **At 31 December 2010** | 75,251 | 11,156 | 294 | 86,701 |
| Total comprehensive income | - | - | 1,059 | 1,059 |
| **At 31 December 2011** | 75,251 | 11,156 | 1,353 | 87,760 |

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

# Statements Of Cash Flow

(For The Financial Year Ended 31 December 2011)

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Profit before tax | | 7,017 | 6,859 | 1,359 | 96 |
| Adjustments for: | | | | | |
| Impairment loss on financial assets: | | | | | |
| - Trade receivables | 19(a) | 25 | 410 | - | - |
| - Other receivables | 19(b) | 160 | 78 | - | - |
| Bad debts written off | | 2,112 | 890 | - | - |
| Depreciation and amortisation: | | | | | |
| - Property, plant and equipment | 13 | 7,664 | 6,884 | - | - |
| - Land use rights | 14 | 112 | 111 | - | - |
| Fair value (gain)/loss on held-for-trading investment securities | | (10) | 1 | - | - |
| Loss on disposal of available-for-sale investment securities | | 8 | - | - | - |
| Net loss/(gain) on disposal of property, plant and equipment | | 102 | (99) | - | - |
| Property, plant and equipment written off | | 419 | - | - | - |
| Reversal of allowance for impairment loss on trade receivables | | (158) | (276) | - | - |
| Interest expense | | 3,365 | 3,136 | - | - |
| Interest income | | (65) | (11) | (1) | - |
| Total adjustments | | 13,734 | 11,124 | (1) | - |
| **Operating cash flows before changes in working capital** | | 20,751 | 17,983 | 1,358 | 96 |
| Changes in working capital | | | | | |
| Decrease/(increase) in inventories | | 1,434 | (521) | - | - |
| (Increase)/decrease in receivables | | (875) | (2,512) | 515 | (59) |
| (Decrease)/increase in payables | | (5,727) | 4,449 | (2) | (18) |
| Total changes in working capital | | (5,168) | 1,416 | 513 | (77) |
| **Cash generated from operations** | | 15,583 | 19,399 | 1,871 | 19 |
| Interest paid | | (3,365) | (3,136) | | - |
| Interest received | | 65 | 11 | 1 | - |
| Taxes paid | | (1,065) | (1,626) | (307) | (63) |
| **Net cash flows from/(used in) operating activities** | | 11,218 | 14,648 | 1,565 | (44) |

# Statements Of Cash Flow

(For The Financial Year Ended 31 December 2011)

| | Note | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| **Investing activities** | | | | | |
| Purchase of property, plant and equipment | 13(c) | (22,115) | (6,806) | - | - |
| Acquisition of land use rights | 14 | (939) | - | - | - |
| Net cash outflow on acquisition of a subsidiary | | - | - | - | (1) |
| Additional subscription in shares in subsidiaries | | - | - | (1,600) | - |
| Proceeds from disposal of property, plant and equipment | | 3,231 | 165 | - | - |
| Proceeds from disposal of available-for-sale investment securities | | 246 | - | - | - |
| **Net cash flows used in investing activities** | | (19,577) | (6,641) | (1,600) | (1) |
| **Financing activities** | | | | | |
| Drawdown of term loans | | 2,725 | 326 | - | - |
| Dividend | 29 | (68) | - | - | - |
| Repayment of finance lease payables | | (3,813) | (3,792) | - | - |
| Increase/(decrease) in short term borrowings | | 3,552 | (3,432) | - | - |
| **Net cash flows from/(used in) financing activities** | | 2,396 | (6,898) | - | - |
| **Net((decrease)/increase in cash and cash equivalents** | | (5,963) | 1,109 | (35) | (45) |
| **Cash and cash equivalents at 1 January** | | 9,459 | 8,350 | 215 | 260 |
| **Cash and cash equivalents at 31 December** | 20 | 3,496 | 9,459 | 180 | 215 |

# Notes To The Financial Statements

(For The Financial Year Ended 31 December 2011)

## 1. Corporate information

Ornapaper Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business is situated at No. 8998, Kawasan Perindustrian Peringkat IV, Batu Berendam, 75350 Melaka, Malaysia.

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

## 2. Significant accounting policies

### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRS) and the Companies Act, 1965 in Malaysia.

The financial statements of the Group and 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) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

### 2.2 Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that the Group and the Company adopted, where applicable, the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011:

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| • FRS 1 First-time Adoption of Financial Reporting Standards | 1 July 2010 |
| • Amendments to FRS 2 Share-based Payment | 1 July 2010 |
| • FRS 3 Business Combinations | 1 July 2010 |
| • Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations | 1 July 2010 |

**2. Significant accounting policies (continued)**

**2.2 Significant accounting policies(continued)**

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| • FRS 127 Consolidated and Separate Financial Statements (Revised) | 1 July 2010 |
| • Amendments to FRS 138 Intangible Assets | 1 July 2010 |
| • Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives | 1 July 2010 |
| • IC Interpretation 12 Service Concession Arrangements | 1 July 2010 |
| • IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| • IC Interpretation 17 Distributions of Non-cash Assets to Owners | 1 July 2010 |
| • Amendments to FRS 132: Classification of Rights Issues | 1 March 2010 |
| • IC Interpretation 18 Transfer of Assets from Customers | 1 January 2011 |
| • Amendments to FRS 7: Improving Disclosures about Financial Instruments | 1 January 2011 |
| • Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters | 1 January 2011 |
| • Amendments to FRS 1: Additional Exemptions for First-time Adopters | 1 January 2011 |
| • IC Interpretation 4 Determining Whether an Arrangement contains a Lease | 1 January 2011 |
| • TR i - 4: Shariah Compliant Sale Contracts | 1 January 2011 |
| • Improvements to FRS issued in 2010 | 1 January 2011 |

Adoption of the above standards and interpretations did not have any effect on the financial performance and position of the Group and of the Company.

**Malaysian Financial Reporting Standards (MFRS)**

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The directors are of the opinion that the financial performance and financial position as disclosed in these financial statements for the period ended 31 December 2011 would not be significantly different if prepared under the MFRS Framework.



**2. Significant accounting policies (continued)**

**2.3 Subsidiaries and basis of consolidation**

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

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

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

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.7. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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

**2. Significant accounting policies (continued)**

**2.4 Transactions with non-controlling interest**

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

# Notes To The Financial Statements

(For The Financial Year Ended 31 December 2011)

## 2. Significant accounting policies (continued)

### 2.5 Foreign currency

#### (a) Functional and presentation currency

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

#### (b) Foreign currency transactions

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

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

### 2.6 Property, plant and equipment and depreciation

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

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

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

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

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



**2. Significant accounting policies (continued)**

**2.6 Property, plant and equipment and depreciation (continued)**

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

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

**2.7 Goodwill**

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

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

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

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

**2.8 Land use rights**

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

## 2. Significant accounting policies (continued)

### 2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGU").

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

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

### 2.10 Subsidiaries

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

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



**2. Significant accounting policies (continued)**

**2.11 Financial assets**

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

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

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

The Group and the Company did not have any held-to-maturity investments throughout the reporting period.

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

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

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

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

**(b) Loans and receivables**

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

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

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

# Notes To The Financial Statements

(For The Financial Year Ended 31 December 2011)

## 2. Significant accounting policies (continued)

### 2.11 Financial assets (continued)

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

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

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

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

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

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

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



**2. Significant accounting policies (continued)**

**2.12 Impairment of financial assets**

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

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

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

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

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

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

**(b) Unquoted equity securities carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. **Significant accounting policies (continued)**

### 2.13 Cash and cash equivalents

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

### 2.14 Inventories

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

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

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

### 2.15 Provisions

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

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

### 2.16 Financial liabilities

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

The Group and the Company did not have any financial liabilities at fair value through profit or loss throughout the reporting period.



## 2. Significant accounting policies (continued)

### 2.16 Financial liabilities (continued).

#### (a) Other financial liabilities

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

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

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

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

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

### 2.17 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

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

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

# Notes To The Financial Statements

(For The Financial Year Ended 31 December 2011)

## 2. Significant accounting policies (continued)

### 2.18 Borrowing costs

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

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

### 2.19 Employee benefits - defined contribution plans

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

### 2.20 Leases

#### (a) As lessee

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

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

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

#### (b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(e).



**2. Significant accounting policies (continued)**

**2.21 Revenue**

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

**(a) Sale of goods**

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

**(b) Interest income**

Interest income is recognised using the effective interest method.

**(c) Management fees**

Management fees are recognised when services are rendered.

**(d) Dividend income**

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

**(e) Rental income**

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

**2.22 Income taxes**

**(a) Current tax**

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

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

## 2. Significant accounting policies (continued)

### 2.22 Income taxes (continued)

#### (b) Deferred tax

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

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

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

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

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

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

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

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

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



**2. Significant accounting policies (continued)**

**2.22 Income taxes (continued) (continued)**

**(b) Deferred tax (continued)**

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

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

**(c) Sales tax**

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

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

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

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

**2.23 Share capital and share issuance expenses**

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

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

**2.24 Contingencies**

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

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

**2.25 Segment reporting**

Segment information is not disclosed as the Group operates solely in Malaysia and is principally engaged in the manufacturing and sale of one product line, that is, corrugated boards and carton boxes.

# Notes To The Financial Statements

(For The Financial Year Ended 31 December 2011)

## 3. Significant accounting judgments and estimates

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

### 3.1 Judgments made in applying accounting policies

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

### 3.2 Key sources of estimation uncertainty

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

#### (a) Useful lives of plant and machinery

The cost of plant and equipment for the manufacture of corrugated boards and carton boxes is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 5 to 20 years. These are common life expectancies applied in the corrugated boards and carton boxes industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 13. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 1% (2010: 1%) variance in the Group's profit, net of tax.

#### (b) Impairment of goodwill

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

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



**3. Significant accounting judgments and estimates (continued)**

**3.2 Key sources of estimation uncertainty (continued)**

**(c) Impairment of loans and receivables**

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and of the Company's loans and receivable at the reporting date is disclosed in Note 19. If the present value of estimated future cash flows increases/decreases by 10% from management's estimates, the Group's allowance for impairment will decrease/increase by RM427,336.

**4. Revenue**

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Sales of goods | 225,668 | 216,517 | - | - |
| Dividend income from subsidiaries | - | - | 1,408 | 227 |
| Management fees from subsidiaries | - | - | 229 | 224 |
| | 225,668 | 216,517 | 1,637 | 451 |

**5. Interest income**

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Interest income from: | | | | |
| Loans and receivables | 65 | 11 | 1 | - |

# Notes To The Financial Statements

(For The Financial Year Ended 31 December 2011)

## 6. Other income

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| Commission received | 149 | 82 |
| Fair value gain on held-for-trading investment securities | 10 | - |
| Foreign exchange gains | 109 | 76 |
| Net gain on disposal of property,plant and equipment | - | 99 |
| Rental from operating leases | 204 | 195 |
| Reversal of allowance for impairment loss on trade receivables | 158 | 276 |
| Others | 534 | 300 |
| | 1,164 | 1,028 |

## 7. Finance costs

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| Interest expense on: | | |
| - Bank loans and overdrafts | 3,028 | 2,795 |
| - Obligations under finance leases | 337 | 341 |
| | 3,365 | 3,136 |

## 8. Profit before tax

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Auditors' remuneration | | | | |
| - Statutory audit (current year) | 133 | 123 | 31 | 31 |
| - Other services provided by auditor of the Company | 24 | 24 | - | - |
| Bad debts written off | 2,112 | 890 | - | - |
| Carriage inwards and outwards | 10,326 | 10,511 | - | - |
| Depreciation and amortisation: | | | | |
| - Property, plant and equipment (Note 13) | 7,661 | 6,881 | - | - |
| - Land use right (Note 14) | 112 | 111 | - | - |
| Employee benefits expense (Note 9) | 19,318 | 17,509 | 8 | 86 |

# Notes To The Financial Statements

(For The Financial Year Ended 31 December 2011)

**8. Profit before tax (continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Fair value loss on held-for-trading investment securities | - | 1 | - | - |
| Impairment loss on financial assets | | | | |
| - Trade receivables [Note 19(a)] | 25 | 410 | - | - |
| - Other receivables [Note 19(b)] | 160 | 78 | - | - |
| Non-executive directors' remuneration (Note 10) | 154 | 154 | 106 | 106 |
| Operating lease: | | | | |
| - Minimum lease payments on land and buildings | 674 | 758 | - | - |
| Loss on disposal of available-for-sales investment securities | 8 | - | - | - |
| Net loss on disposal of property, plant and equipment | 102 | - | - | - |
| Property, plant and equipment written off | 419 | - | - | - |

**9. Employee benefits expense**

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Wages and salaries | 16,807 | 15,128 | 8 | 84 |
| Contributions to defined contribution plans | 1,374 | 1,162 | - | 2 |
| Social security contributions | 153 | 145 | | |
| Other benefits | 984 | 1,074 | - | - |
| | 19,318 | 17,509 | 8 | 86 |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,457,000 and RM8,000 (2010: RM1,601,000 and RM86,000) respectively.

# Notes To The Financial Statements

(For The Financial Year Ended 31 December 2011)

## 10. Directors' remuneration

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Executive directors** | | | | |
| Directors of the Company: | | | | |
| - Fees | 152 | 120 | - | 48 |
| - Salaries and other emoluments | 8 | 407 | 8 | 36 |
| - Defined contribution plans | - | 42 | - | 2 |
| | 160 | 569 | 8 | 86 |
| Other directors of subsidiaries: | | | | |
| - Salaries and other emoluments | 1,231 | 970 | - | - |
| - Defined contribution plans | 66 | 62 | - | - |
| | 1,297 | 1,032 | - | - |
| Total executive directors' remuneration (excluding benefits-in-kind) | 1,457 | 1,601 | 8 | 86 |
| Estimated money value of benefits-in-kind | 10 | 20 | - | - |
| Total executive directors' remuneration (including benefits-in-kind) | 1,467 | 1,621 | 8 | 86 |
| **Non-executive directors** | | | | |
| Directors of the Company: | | | | |
| - Fees | 144 | 144 | 96 | 96 |
| - Other emoluments | 10 | 10 | 10 | 10 |
| | 154 | 154 | 106 | 106 |
| Total directors' remuneration | 1,621 | 1,775 | 114 | 192 |

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

| | 2011 | 2010 |
|---|---|---|
| **Executive directors** | | |
| RM150,001 to RM200,000 | 1 | 2 |
| RM250,001 to RM300,000 | - | 1 |
| RM300,001 to RM350,000 | - | 1 |
| RM350,001 to RM400,000 | 1 | - |
| RM450,001 to RM500,000 | 1 | - |
| **Non-executive directors** | | |
| RM50,001 to RM100,000 | 3 | 3 |



## 11. Income tax expense

**Major components of income tax expense**

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Statements of comprehensive income: | | | | |
| Current income tax: | | | | |
| - Malaysian income tax | 751 | 1,552 | 300 | - |
| - Underprovision in prior years | 46 | 6 | - | 7 |
| | 797 | 1,558 | 300 | 7 |
| Deferred income tax (Note 25): | | | | |
| - Origination and reversal of temporary differences | (1,037) | 290 | - | - |
| - Underprovision in prior years | 1,396 | 353 | - | - |
| | 359 | 643 | - | - |
| Income tax expense recognised in profit or loss | 1,156 | 2,201 | 300 | 7 |

**Reconciliation between tax expense and accounting profit**

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2010 and 2011 is as follows:

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Profit before tax | 7,017 | 6,859 | 1,359 | 96 |
| Taxation at 25% (2010: 25%) | 1,754 | 1,715 | 340 | 24 |
| Adjustments on tax effect of: | | | | |
| - Non-deductible expenses | 760 | 277 | 28 | 5 |
| - Non-taxable income | - | (57) | (68) | (57) |
| Utilisation of re-investment allowances | (941) | (466) | - | - |
| Deferred tax asset not recognised on unabsorbed capital allowances | - | 373 | - | 28 |
| Deferred tax asset recognised on unabsorbed capital allowances previously not recognised | (81) | - | - | - |
| Deferred tax asset recognised on unabsorbed reinvestment allowances | (1,778) | - | - | - |
| Underprovision of current tax in prior years | 46 | 6 | - | 7 |
| Underprovision of deferred tax in prior years | 1,396 | 353 | - | - |
| Tax expense for the year | 1,156 | 2,201 | 300 | 7 |

# Notes To The Financial Statements
(For The Financial Year Ended 31 December 2011)

## 11. Income tax expense (continued)

**Reconciliation between tax expense and accounting profit (continued)**

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

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| Unutilised tax losses | 2,830 | 2,677 |
| Unabsorbed capital allowances | 2,869 | 2,665 |
| Unabsorbed reinvestment allowances | 26,807 | 20,219 |
| | 32,506 | 25,561 |

## 12. Earnings per share

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

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

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| Profit, net of tax, attributable to owners of the parent (RM'000) | 5,801 | 4,589 |
| Weighted average number of ordinary share in issue ('000) | 75,251 | 75,251 |
| Basic and diluted earnings per share (sen) | 7.7 | 6.1 |



## 13. Property, plant and equipment

| | Leasehold land RM'000 | Factory buildings RM'000 | Plant and machinery RM'000 | Other assets RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Cost** | | | | | |
| At 1 January 2010 | 11,768 | 36,206 | 96,377 | 8,998 | 153,349 |
| Additions | - | 1,961 | 7,023 | 740 | 9,724 |
| Disposals | - | - | (942) | (856) | (1,798) |
| At 31 December 2010 | 11,768 | 38,167 | 102,458 | 8,882 | 161,275 |
| Additions | - | 4,090 | 17,654 | 635 | 22,379 |
| Disposals | - | - | (10,227) | (1,704) | (11,931) |
| At 31 December 2011 | 11,768 | 42,257 | 109,885 | 7,813 | 171,723 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2010 | 1,395 | 8,883 | 52,468 | 7,183 | 69,929 |
| Charge for the year (Note 8) | 133 | 1,004 | 5,123 | 624 | 6,884 |
| Disposals | - | - | (919) | (813) | (1,732) |
| At 31 December 2010 | 1,528 | 9,887 | 56,672 | 6,994 | 75,081 |
| Charge for the year (Note 8) | 134 | 1,019 | 5,755 | 756 | 7,664 |
| Disposals | - | - | (7,089) | (1,530) | (8,619) |
| At 31 December 2011 | 1,662 | 10,906 | 55,338 | 6,220 | 74,126 |
| **Carrying amount** | | | | | |
| At 31 December 2010 | 10,240 | 28,280 | 45,786 | 1,888 | 86,194 |
| At 31 December 2011 | 10,106 | 31,351 | 54,547 | 1,593 | 97,597 |

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

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

# Notes To The Financial Statements

(For The Financial Year Ended 31 December 2011)

## 13. Property, plant and equipment (continued)

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

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| Cash | 22,115 | 6,806 |
| Lease financing | 264 | 2,918 |
| | 22,379 | 9,724 |

(d) The carrying amount of property, plant and equipment acquired under instalment payment plans amounts to RM6,952,000 (2010: RM11,018,000).

## 14. Land use rights

| | Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| **Cost** | | |
| At 1 January | 4,596 | 4,596 |
| Addition | 939 | - |
| At 31 December | 5,535 | 4,596 |
| **Accumulated amortisation** | | |
| At 1 January | 870 | 759 |
| Amortised during the year | 112 | 111 |
| At 31 December | 982 | 870 |
| **Carrying amount** | 4,553 | 3,726 |
| **Amount to be amortised:** | 111 | 111 |
| - Not later than one year | 449 | 442 |
| - Later than one year but not later than 5 years | 3,993 | 3,173 |
| - Later than 5 years | 4,553 | 3,726 |

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



## 15. Investment in subsidiaries

| | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|
| Unquoted shares at cost | 77,185 | 75,585 |

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

| Name of subsidiaries | Principal activities | Proportion of ownership interest 2011 | Proportion of ownership interest 2010 |
|---|---|---|---|
| Ornapaper Industry (M) Sdn. Bhd. | Manufacturing and sale of corrugated boards and carton boxes | 100% | 100% |
| Ornapaper Industry (Batu Pahat) Sdn. Bhd. | Manufacturing and sale of carton boxes | 100% | 100% |
| Ornapaper Industry (Perak) Sdn. Bhd. | Manufacturing and sale of corrugated boards and carton boxes | 100% | 100% |
| Quantum Rhythm Sdn. Bhd. # | Manufacturing and sale of carton boxes | 100% | 100% |
| Tripack Packaging (M) Sdn. Bhd. # | Manufacturing and sale of carton boxes | 100% | 100% |
| Ornapaper Industry (Johor) Sdn. Bhd. # | Manufacturing and sale of carton boxes | 80% | 80% |

# Not audited by Ernst & Young

**(a) Subscription of additional shares in subsidiaries**

During the financial year, the Company further subscribed for an additional 1,500,000 and 99,998 new ordinary shares of RM1.00 each in Ornapaper Industry (Batu Pahat) Sdn. Bhd. and Quantum Rhythm Sdn. Bhd. for a cash consideration of RM1,500,000 and RM99,998 respectively. The proportion of ownership interests of Ornapaper Industry (Batu Pahat) Sdn. Bhd. and Quantum Rhythm Sdn. Bhd. held by the Company remain unchanged.

## 16. Goodwill

**Impairment tests for goodwill**

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

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| Ornapaper Industry (Perak) Sdn. Bhd. ("OIP") | 1,574 | 1,574 |
| Ornapaper Industry (Johor) Sdn. Bhd. ("OIJ") | 59 | 59 |
| | 1,633 | 1,633 |

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

| | OIP | | OIJ | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Growth rate | 6% | 1% | 2% | 1% |
| Pre-tax discount rate | 9% | 9% | 9% | 9% |

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

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

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

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

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



## 17. Investment securities

| | Group 2011 Carrying amount RM'000 | Group 2011 Market value RM'000 | Group 2010 Carrying amount RM'000 | Group 2010 Market value RM'000 |
|---|---|---|---|---|
| Held-for-trading investments | | | | |
| - Equity instruments | | | | |
| (quoted in Malaysia) | - | - | 9 | 9 |
| | | | | |
| Available-for-sale financial assets * | | | | |
| - Equity instruments (unquoted) | - | - | 235 | - |
| Total investment securities | - | | 244 | |

* These investments were carried at cost less any accumulated impairment losses.

Effect of adopting FRS 139

On 1 January 2010, the Group adopted FRS 139 Financial Instruments : Recognition and Measurement and remeasured its held-for-trading investments. The resulting adjustment of RM10,000 was adjusted against the opening balance of retained earnings as at 1 January 2010.

All investment securities were disposed off during the year.

## 18. Inventories

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| At cost: | | |
| Raw materials and consumables | 20,048 | 21,585 |
| Work-in-progress | 89 | 124 |
| Finished goods | 1,890 | 1,946 |
| | 22,027 | 23,655 |

## 19. Trade and other receivables

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Third parties | 55,603 | 59,576 | - | - |
| Allowance for impairment | (3,346) | (5,557) | - | - |
| Trade receivables, net | 52,257 | 54,019 | - | - |

## 19. Trade and other receivables (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Other receivables** | | | | |
| Third parties | 3,017 | 4,863 | - | - |
| Subsidiaries | - | - | 10,265 | 10,778 |
| Sundry deposits | 181 | 250 | 2 | 2 |
| | 3,198 | 5,113 | 10,267 | 10,780 |
| Allowance for impairment | | | | |
| - Third parties | (618) | (458) | - | - |
| Other receivables, net | 2,580 | 4,655 | 10,267 | 10,780 |
| Total trade and other receivables | 54,837 | 58,674 | 10,267 | 10,780 |
| Total trade and other receivables | 54,837 | 58,674 | 10,267 | 10,780 |
| Add: Cash and bank balances (Note 20) | 6,495 | 12,545 | 180 | 215 |
| Total loans and receivables | 61,332 | 71,219 | 10,447 | 10,995 |

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 (2010: 30 to 120) days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Overdue interest of 0.50% to 1.50% (2010: 0.50% to 1.50%) per month is charged on certain amounts exceeding credit terms.

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

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

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Neither past due nor impaired | 41,296 | 40,164 |
| 1 to 30 days past due not impaired | 4,966 | 3,856 |
| 31 to 60 days past due not impaired | 1,864 | 1,266 |
| More than 61 days past due not impaired | 1,785 | 2,800 |
| | 8,615 | 7,922 |
| Impaired | 5,692 | 11,490 |
| | 55,603 | 59,576 |



**19. Trade and other receivables (continued)**

**(a) Trade receivables (continued)**

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

Trade receivables that are past due at the reporting date but not impaired are active accounts which the management considers to be recoverable. These receivables are not secured by any collateral or credit enhancements.

Receivables that are impaired

Trade receivables that are individually impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Trade receivables - nominal amounts | 5,692 | 11,490 |
| Less: Allowance for impairment | (3,346) | (5,557) |
| | 2,346 | 5,933 |

| Movement in allowance accounts: | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| At 1 January | 5,557 | 5,725 |
| Effect of adopting FRS 139 | - | 2,860 |
| Charge for the year (Note 8) | 25 | 410 |
| Reversal of impairment losses | (158) | (276) |
| Bad debts written off | (2,078) | (3,162) |
| At 31 December | 3,346 | 5,557 |

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

**19. Trade and other receivables (continued)**

**(b) Other receivables**

Subsidiaries

Amounts due from subsidiaries are unsecured and repayable on demand.

Other receivables that are impaired

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

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Other receivables - nominal amounts | 2,545 | 1,373 |
| Less: Allowance for impairment | (618) | (458) |
| | 1,927 | 915 |

Movement in allowance accounts:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| At 1 January | 458 | 5 |
| Effect of adopting FRS 139 | - | 380 |
| Charge for the year (Note 8) | 160 | 78 |
| Bad debts written off | - | (5) |
| At 31 December | 618 | 458 |

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

Effect of adopting FRS 139

On 1 January 2010, the Group adopted FRS 139 Financial Instruments : Recognition and Measurement and remeasured the allowance for impairment loss on its receivables. The resulting adjustment of RM3,241,000 and the related tax effect of RM810,000 were adjusted against the opening balance of retained earnings as at 1 January 2010.



**20. Cash and bank balances**

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Cash on hand and at banks | 5,697 | 12,279 | 180 | 215 |
| Short term deposits with licensed banks | 798 | 266 | - | - |
| Cash and bank balances | 6,495 | 12,545 | 180 | 215 |

Short term deposits are made for varying periods between 1 to 12 months depending on the immediate cash requirements of the Group and of the Company. The deposits earn interest at the respective short-term deposit rates. The weighted average effective interest rate at the reporting date for the Group was 3.2% (2010: 2.6%) per annum.

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

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

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Cash and bank balances | 6,495 | 12,545 | 180 | 215 |
| Bank overdrafts (Note 23) | (2,999) | (3,086) | - | - |
| Cash and cash equivalents | 3,496 | 9,459 | 180 | 215 |

**21. Other current assets**

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Deposits for purchase of: | | | | |
| - Plant and equipment | 3,073 | 1,185 | - | - |
| - Raw materials | 483 | 607 | - | - |
| Prepayments | 1,767 | 1,933 | 10 | 10 |
| | 5,323 | 3,725 | 10 | 10 |

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

# Notes To The Financial Statements

(For The Financial Year Ended 31 December 2011)

## 22. Assets held for sale

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| **At carrying amount** | | |
| Plant and machinery | - | 440 |

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

## 23. Borrowings

| | | Group | |
|---|---|---|---|
| | | **2011** | **2010** |
| | **Maturity** | **RM'000** | **RM'000** |
| **Current** | | | |
| Secured: | | | |
| Bank overdrafts (Note 20) | On demand | 2,999 | 3,086 |
| Bankers' acceptances | 2012 | 49,654 | 43,252 |
| Trust receipts | 2012 | 2,105 | 4,910 |
| Term loans | 2012 | 1,290 | 679 |
| Finance lease payables (Note 31(b)) | 2012 | 1,172 | 1,910 |
| | | 57,220 | 53,837 |
| **Non-current** | | | |
| Secured: | | | |
| Term loans | 2013 to 2015 | 4,614 | 2,546 |
| Finance lease payables (Note 31(b)) | 2013 to 2015 | 748 | 3,557 |
| | | 5,362 | 6,103 |
| **Total borrowings** | | 62,582 | 59,940 |

The remaining maturities of the borrowings as at 31 December 2011 are as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| On demand or within one year | 57,220 | 53,838 |
| Later than one year and not later than 2 years | 2,897 | 2,577 |
| Later than 2 years and not later than 5 years | 2,166 | 3,525 |
| Later than 5 years | 299 | - |
| | 62,582 | 59,940 |



**23. Borrowings (continued)**

(a) Bank overdrafts

Bank overdrafts are denominated in RM, bear interest on an average of 8.34% (2010: 8.42%) per annum.

(b) Bankers' acceptance and trust receipts

These are used to finance purchases of the Company denominated in RM and are short term in nature. The weighted average effective interest rate is 3.50% to 4.12% (2010: 3.09% to 4.27%) per annum.

(c) Term loans

The loans are repayable over a period of 5 years. The weighted average effective interest rate is 7.10% to 7.85% (2010: 7.5% to 7.55%) per annum.

(d) Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 13). The average discount rate implicit in the leases is 3.52% (2010: 3.52%) per annum.

The borrowings are secured by the Group's leasehold land and factory buildings and certain other assets and a debenture covering fixed and floating charges over all the assets and properties as disclosed in Notes 13 and 14. The borrowings are additionally guaranteed by a director of a subsidiary and certain directors of the Company.

**24. Trade and other payables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Trade payables** | | | | |
| Third parties | 12,876 | 17,932 | - | - |
| **Other payables** | | | | |
| Accrued operating expenses | 1,846 | 3,317 | 31 | 8 |
| Other payables | 4,240 | 4,617 | - | 23 |
| | 6,086 | 7,934 | 31 | 31 |
| Total trade and other payables | 18,962 | 25,866 | 31 | 31 |
| Total trade and other payables | 18,962 | 25,866 | 31 | 31 |
| Add: Borrowings (Note 23) | 62,582 | 59,940 | - | - |
| Total financial liabilities carried at amortised cost | 81,544 | 85,806 | 31 | 31 |

# Notes To The Financial Statements

(For The Financial Year Ended 31 December 2011)

**24. Trade and other payables (continued)**

**(a) Trade payables**

Trade payables are non-interest bearing and are normally settled on 30 to 120 (2010: 30 to 120) days terms.

**(b) Other payables**

Other payables are non-interest bearing and normally settled on an average of 6 (2010: 6) months.

**25. Deferred tax liabilities**

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| At 1 January | 2,946 | 3,113 |
| Effect of FRS 139 adoption adjusted to opening retained earnings (Note 19) | - | (810) |
| Recognised in income statement (Note 11) | 359 | 643 |
| At 31 December | 3,305 | 2,946 |

Deferred income tax relates to the following:

| Group | At 1 January RM'000 | Effect of FRS 139 RM'000 | Recognised in profit or loss RM'000 | At 31 December RM'000 |
|---|---|---|---|---|
| **2011** | | | | |
| **Deferred tax liabilities:** | | | | |
| Property, plant and equipment | 8,677 | - | (1,095) | 7,582 |
| **Deferred tax assets:** | | | | |
| Unabsorbed capital allowances | (332) | - | (148) | (480) |
| Unabsorbed re-investment allowances | (4,397) | - | 336 | (4,061) |
| Others | (1,002) | - | 1,266 | 264 |
| | (5,731) | - | 1,454 | (4,277) |
| | 2,946 | - | 359 | 3,305 |



**25. Deferred tax liabilities (continued)**

| | At 1 January RM'000 | Effect of FRS 139 RM'000 | Recognised in profit or loss RM'000 | At 31 December RM'000 |
|---|---|---|---|---|
| **2010** | | | | |
| **Deferred tax liabilities:** | | | | |
| Property, plant and equipment | 8,545 | - | 132 | 8,677 |
| **Deferred tax assets:** | | | | |
| Unabsorbed capital allowances | (216) | - | (116) | (332) |
| Unabsorbed reinvestment allowances | (5,217) | - | 820 | (4,397) |
| Others | 1 | (810) | (193) | (1,002) |
| | (5,432) | (810) | 511 | (5,731) |
| | 3,113 | (810) | 643 | 2,946 |

The following items were not recognised for deferred tax assets as they are not expected to be utilised by taxable profits in the foreseeable future in view of additional tax incentives from future expansion projects to be undertaken by a subsidiary:

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| Unutilised tax losses | 2,709 | 2,788 |
| Unabsorbed capital allowances | 924 | 1,336 |
| Unabsorbed reinvestment allowances | 3,450 | 2,621 |
| | 7,083 | 6,745 |

**26. Share capital**

| | Group 2011 | Group 2010 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| **Authorised** | | | | |
| Shares of RM1 each | 100,000 | 100,000 | 100,000 | 100,000 |
| **Issued and fully paid** | | | | |
| Ordinary shares of RM1 each | 75,251 | 75,251 | 75,251 | 75,251 |

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

# Notes To The Financial Statements
(For The Financial Year Ended 31 December 2011)

**27. Share premium**

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

**28. Retained earnings**

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

The Company has not elected for the single tier system and as at 31 December 2011, it has sufficient tax credits and tax exempt profits to frank dividends out of its entire retained earnings without incurring any additional tax liability.

**29. Dividend**

This represents dividend paid by a subsidiary to non-controlling interest in respect of financial year ended 31 December 2011.

**30. Related party disclosures**

**(a) Sale and purchase of goods and services**

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **With subsidiaries** | | | | |
| Management fee charged to: | | | | |
| - Ornapaper Industry (M) Sdn. Bhd. | - | - | 153 | 147 |
| - Ornapaper Industry (Perak) Sdn. Bhd | - | - | 50 | 50 |
| - Ornapaper Industry (BP) Sdn. Bhd. | - | - | 26 | 27 |

# Notes To The Financial Statements
(For The Financial Year Ended 31 December 2011)

## 30. Related party disclosures (continued)

### (a) Sale and purchase of goods and services (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **With subsidiaries (continued)** | | | | |
| Net dividend received from: | | | | |
| - Ornapaper Industry (M) Sdn. Bhd. | - | - | 852 | 175 |
| - Ornapaper Industry (Johor) Sdn. Bhd | - | - | 271 | - |
| **With other related parties** | | | | |
| Sales to: | | | | |
| - Perfect Food Manufacturing (M) Sdn. Bhd. | 3,766 | 2,400 | - | - |
| - Greatbrand Food Industries Sdn. Bhd. | 791 | 501 | - | - |

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

### (b) Compensation of key management personnel

In addition to the directors' remuneration as disclosed in Note 10, the salaries and other related amounts payable to key management personnel are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Salaries and wages | 11 | 170 | - | - |
| Defined contribution plans | 1 | 20 | - | - |
| | 12 | 190 | - | - |

## 31. Commitments

### (a) Capital commitments

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| Capital expenditure approved and contracted for: | | |
| - Property, plant and equipment | 2,507 | 1,772 |

# Notes To The Financial Statements

(For The Financial Year Ended 31 December 2011)

**31. Commitments (continued)**

**(b) Finance lease commitments**

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

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

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| **Minimum lease payments:** | | |
| Not later than one year | 1,249 | 2,200 |
| Later than one year and not later than 2 years | 507 | 2,238 |
| Later than 2 years and not later than 5 years | 288 | 1,589 |
| | 2,044 | 6,027 |
| Less: Amounts representing future finance charges | (124) | (560) |
| | 1,920 | 5,467 |
| **Present value of finance lease payables:** | | |
| Not later than one year | 1,172 | 1,910 |
| Later than one year and not later than 2 years | 479 | 1,885 |
| Later than 2 years and not later than 5 years | 269 | 1,672 |
| | 1,920 | 5,467 |
| Less: Amount due within 12 months (Note 23) | (1,172) | (1,910) |
| Amount due after 12 months (Note 23) | 748 | 3,557 |

**32. Operating lease arrangements**

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

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Not later than one year | 36 | 73 |
| Later than one year but not later than 2 years | 5 | 28 |
| | 41 | 101 |

### 33. Fair value of financial instruments

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

| | 2011 Carrying amount RM'000 | 2011 Fair value RM'000 | 2010 Carrying amount RM'000 | 2010 Fair value RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| Investment securities | | | | |
| - Unquoted equity instrument | - | - | 235,000 | * |

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

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

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

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| Trade and other receivables | 19 | 54,837 | 58,674 | 10,267 | 10,780 |
| Cash and bank balances | 20 | 6,495 | 12,545 | 180 | 215 |
| Borrowings | 23 | 62,582 | 59,940 | - | - |
| Trade and other payables | 24 | 18,962 | 25,866 | 31 | 31 |

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

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

### 34. Financial risk management objectives and policies

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

**34. Financial risk management objectives and policies (continued)**

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

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

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

**(a) Credit risk**

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

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

Exposure to credit risk
At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, with positive fair values and a nominal amount of RM61,386,000 relating to a corporate guarantee provided by the Company to a bank on subsidiaries bank loans.

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

Credit risk concentration profile
At the reporting date, approximately 15% (2010: 24%) of the Group's gross trade receivables were due from 2 (2010: 2) customers totalling RM7,661,162 (2010: RM12,484,271).

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

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

# Notes To The Financial Statements
(For The Financial Year Ended 31 December 2011)

### 34. Financial risk management objectives and policies (continued)

#### (b) Liquidity risk

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

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

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

<u>Analysis of financial instruments by remaining contractual maturities</u>
The maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations is as follows:

| | 2011 | | |
|---|---|---|---|
| **Group** | **On demand or within one year RM'000** | **One to five years RM'000** | **Total RM'000** |
| Trade and other payables | 18,962 | - | 18,962 |
| Borrowings | 57,297 | 5,409 | 62,706 |
| Total undiscounted financial liabilities | 76,259 | 5,409 | 81,668 |
| **Company** | | | |
| Trade and other payables * | 31 | - | 31 |
| Total undiscounted financial liabilities | 31 | - | 31 |
| **Group** | | | |
| Trade and other payables | 25,866 | - | 25,866 |
| Borrowings | 54,127 | 6,373 | 60,500 |
| Total undiscounted financial liabilities | 79,993 | 6,373 | 86,366 |
| **Company** | | | |
| Trade and other payables * | 31 | - | 31 |
| Total undiscounted financial liabilities | 31 | - | 31 |

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

**34. Financial risk management objectives and policies (continued)**

**(c) Interest rate risk**

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

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

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

Sensitivity analysis for interest rate risk

Based on the utilisation of floating rate loans and borrowings throughout the reporting period, if interest rates had been 50 basis point lower (or higher), with all other variables held constant, the Group's profit before tax would have been RM303,000 higher (or lower), arising mainly as a result of lower (or higher) interest expense that would have been incurred. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

**(d) Foreign currency risk**

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

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

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



**34. Financial risk management objectives and policies (continued)**

**(d) Foreign currency risk (continued)**

| | Net financial assets/(liabilities) held in non-functional currency | | |
|---|---|---|---|
| | **SGD** | **USD** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** |
| **At 31 December 2011** | | | |
| Trade and other receivables | 72 | 656 | 728 |
| Trade and other payables | - | (655) | (655) |
| | 72 | 1 | 73 |
| **At 31 December 2010** | | | |
| Trade and other receivables | 123 | 554 | 677 |
| Trade and other payables | - | (362) | (362) |
| | 123 | 192 | 315 |

Sensitivity analysis for foreign currency risk

The hypothetical sensitivity of the Group's profit, net of tax, to a 5% change in the USD and SGD exchange rates at the reporting date against RM, assuming all other variables remain unchanged, is insignificant.

**35. Capital management**

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2011.

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

**35. Capital management (continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Borrowings | 62,582 | 59,940 | - | - |
| Trade and other payables | 18,962 | 25,866 | 31 | 31 |
| *Less:* - Cash and bank balances | (6,495) | (12,545) | (180) | (215) |
| *Net debt* | 75,049 | 73,261 | (149) | (184) |
| Equity attributable to owners of the parent | 107,564 | 101,763 | 87,760 | 86,701 |
| **Capital and net debt** | 182,613 | 175,024 | 87,611 | 86,517 |
| **Gearing ratio** | 41% | 42% | - | - |

**36. Authorisation of financial statements for issue**

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 23 April 2012.

**37. Supplementary information – Breakdown of realised and unrealised retained earnings**

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2011 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Total retained earnings/(losses) of the Company and its subsidiaries | | | | |
| - Realised profits | 63,004 | 55,367 | 1,353 | 294 |
| - Unrealised losses | (5,618) | (4,965) | - | - |
| | 57,386 | 50,402 | 1,353 | 294 |
| Less: Consolidation adjustments | (36,229) | (35,046) | - | - |
| Retained earnings as per financial statements | 21,157 | 15,356 | 1,353 | 294 |

# List Of Properties

| Register Owner | Title / Location | Land Area (Square Metres) | Tenure From / To | Existing Use | Approximate Age of Building (Years) | Date of Acquisition or Revaluation | Net Book Value As at 31/12/2011 (RM'000) |
|---|---|---|---|---|---|---|---|
| OISB(M) | H. S. (M) 455 to H. S. (M) 470<br>Lot PT4944 to PT4959 Mukim of Bachang, District of Melaka Tengah, Melaka | 33,720 | Leasehold 99 Years Expiring On 24/09/2094 | Industrial | | 16-Jan-96 | |
| OISB(M) | H. S. (M) 471 to H. S. (M) 475<br>Lot PT4960 to PT4964 Mukim of Bachang, District of Melaka Tengah, Melaka | 17,505 | Leasehold 99 Years Expiring On 24/09/2094 | Industrial | 15 | 04-Mar-02 | 28,036 |
| PKNM* | Lot PT 6127, Kawasan Perindustrian Batu Berendam IV, Melaka<br>Factory No.: 8998, Kawasan Perindustrian Batu Berendam (PhaseIV) (Taman Perindustrian Batu Berendam), Batu Berendam, Melaka. | 6,822 | Leasehold 99 Years Expiring On 20/04/2103 | Industrial (Former Service Road) | | 01-Aug-03 | |
| OISB(BP) | H. S. (D) 43098<br>Lot. No. PLO 271 (PTD39208), Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim<br>Factory No. PLO 271, Jalan Kawasan Perindustrian Sri Gading, 83009 Batu Pahat, Johor Darul Takzim | 13,067 | Leasehold 60 Years Expiring On 10/07/2060 | Industrial | 14 | 27-Oct-97 | 6,204 |
| OISB(BP) | H. S. (D) 38426<br>(PTD35123), Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim | 4,047 | Leasehold 60 Years Expiring On 04/02/2058 | Industrial | 14 | 27-Dec-11 | |
| OISB(PERAK) | H. S. (D) 10127, H.S. (D) 101313 To H. S. (D)10135<br>Lot PT 80050, PT 80054 to PT 80058 Mukim of Hulu Kinta, District of Kinta, State of Perak<br>Factory No. Plot 9, Persiaran Perindustrian Kanthan 2, Industrial Estate, 31200 Chemor, Perak Darul Ridzuan | 42,808 | Leasehold 60 Years Expiring On 02/01/2051 | Industrial | 21 | 25-May-90 | 7,148 |
| TPSB | H. S. (M) 1/76<br>Lot PT 67 Mukim of Bukit Katil, District of Melaka Tengah, State of Melaka.<br>Factory No. 125, Ayer Keroh Industrial Estate, Ayer Keroh, 75450 Melaka. | 10,604 | Leasehold 99 Years Expiring On 07/04/2075 | Industrial | 32 | 19-Jun-00 | 4,652 |
| OISB(JOHOR) | H. S. (M) 235151<br>Lot P.T.D. 113285 Mukim of Plentong, District of Johor Bahru, State of Johor.<br>Factory No. 33, Jalan Cenderai 6, Taman Perindustrian Kota Puteri, 81750 Masai, Johor | 6,070 | Leasehold 60 Years Expiring On 10/07/2056 | Industrial | 5 | 14-Mar-02 | 2,346 |

Notes:- OISB(M) - Ornapaper Industry (M) Sdn. Bhd.
OISB(BP) - Ornapaper Industry (Batu Pahat) Sdn. Bhd.
OISB(PERAK) - Ornapaper Industry (Perak) Sdn. Bhd.
TPSB - Tripack Packaging (M) Sdn. Bhd.
OISB (JOHOR) - Ornapaper Industry (Johor) Sdn. Bhd.
PKNM - Perbadanan Kemajuan Negeri Melaka

* OISB(M) had purchased the land From PKNM as Sale and Purchase agreement Dated 01/08/2003

# Analysis Of Shareholdings
As At 3 May 2012

**Authorised share capital : RM100,000,000.00**
**Issued and paid-up capital : RM75,250,601.00**
**Class of shares : Ordinary Shares of RM1.00 each**
**Voting rights : 1 Vote per Ordinary Share**

## DISTRIBUTION OF SHAREHOLDERS

| Range | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 to 99 | 9 | 0.50 | 360 | 0.00 |
| 100 to 1,000 | 339 | 18.97 | 315,379 | 0.42 |
| 1,001 to 10,000 | 948 | 53.05 | 4,835,714 | 6.43 |
| 10,001 to 100,000 | 418 | 23.40 | 13,589,204 | 18.06 |
| 100,001 to 3,762,529 | 71 | 3.97 | 28,129,411 | 37.38 |
| 3,762,530 and above | 2 | 0.11 | 28,380,533 | 37.71 |
| | 1,787 | 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 | 9,745,645 | 12.95 | | - | - |
| Ang Kwee Teng | 10,000 | 0.01 | * | 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 | % |
|---|---|---|---|---|
| Adillah binti Ahmad Nordin | 34,000 | 0.05 | - | - |
| Ang Kwee Teng | 10,000 | 0.01 | 18,634,888 * | 24.76 |
| Azhar bin Nayan | 25,000 | 0.03 | - | - |
| Sai Chin Hock | 846,400 | 1.12 | 22,305,798 # | 29.64 |
| See Wan Seng | - | - | 18,634,888 * | 24.76 |
| Siow Kee Yen | 230,500 | 0.31 | - | - |

Notes :-
* Deemed interest by virtue of their shareholdings in Intisari Delima Sdn Bhd
# Deemed interest by virtue of him being the father to Mr Sai Seak Chyuan, Mr Sai Tzy Horng, a substantial shareholder of Pilihan Sistematik Sdn Bhd and by virtue of his substantial shareholdings in Intisari Delima Sdn Bhd

# Analysis Of Shareholdings

As At 3 May 2012

## 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 | 9,745,645 | 12.95 |
| 3. | SUPERIOR RAINBOW SDN BHD | 2,593,645 | 3.45 |
| 4. | SAI SEAK CHYUAN | 2,568,586 | 3.41 |
| 5. | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BSI SA (BSI BK SG-NR) | 2,000,000 | 2.66 |
| 6. | LAU CHEE WEN | 1,442,400 | 1.92 |
| 7. | KUAH SAY CHONG | 1,339,000 | 1.78 |
| 8. | YEO SER KEN | 1,173,000 | 1.56 |
| 9. | GRANDEUR LAND SDN BHD | 1,000,000 | 1.33 |
| 10. | UPTREND PERFORMER SDN BHD | 1,000,000 | 1.33 |
| 11. | SAI CHIN HOCK | 846,400 | 1.12 |
| 12. | LO YOON NIEN | 798,100 | 1.06 |
| 13. | JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON MENG HENG (MARGIN) | 710,100 | 0.94 |
| 14. | SIANG TECK SIONG | 649,900 | 0.86 |
| 15. | SAI SEAK CHYUAN | 643,000 | 0.85 |
| 16. | LIM HUEY TIEN | 500,000 | 0.67 |
| 17. | PILIHAN SISTEMATIK SDN BHD | 459,324 | 0.61 |
| 18. | GOH YU TIAN | 438,200 | 0.58 |
| 19. | LIM HONG LIANG` | 430,000 | 0.57 |
| 20. | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO WUE SON @ TEO WEE SOON | 331,300 | 0.44 |
| 21. | WONG MENG KIANG | 331,000 | 0.44 |
| 22. | RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOO KAI SENG | 319,900 | 0.43 |
| 23. | CHONG NYOK MOEY | 309,600 | 0.41 |
| 24. | LEE WEI GIA | 300,000 | 0.40 |
| 25. | ONG BOH LEE | 270,000 | 0.36 |
| 26. | CIMB COMMERCE TRUSTEE BERHAD EXEMPT AN FOR EPF INVESTMENT FOR MEMBER SAVINGS SCHEME | 252,700 | 0.34 |
| 27. | KHOO KIM KAI | 252,500 | 0.34 |
| 28. | CHIN HUI FONG | 227,000 | 0.30 |
| 29. | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIOW KEE YEN | 225,500 | 0.30 |
| 30. | GOH CHOON HONG | 224,000 | 0.30 |
| | **Total** | **50,015,688** | **66.47** |

**ORNAPAPER BERHAD** (573695-W)
(Incorporated in Malaysia)

# Proxy Form

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 Tenth Annual General Meeting of the Company to be held at the Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Friday, 29 June 2012 at 10.30 a.m. and at any adjournment thereof.

| No. | Resolution |
|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and the Auditors thereon. |

| No. | Resolutions | For | Against |
|---|---|---|---|
| 2. | To approve the payment of Directors' Fees for the financial year ended 31 December 2011. | | |
| 3. | To re-elect Mr. Ang Kwee Teng who retires pursuant to Article 92 of the Company's Articles of Association. | | |
| 4. | To re-elect Tuan Haji Azhar bin Nayan who retires pursuant to Article 92 of the Company's Articles of Association. | | |
| 5. | 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. | | |
| 6. | Special Business<br>Ordinary Resolution 1<br>- Authority to Issue and Allot Shares | | |
| 7. | Special Business<br>Ordinary Resolution 2<br>- Proposed Renewal of Shareholders' Mandate with Perfect Food Manufacturing (M) Sdn. Bhd. | | |
| 8. | Special Business<br>Ordinary Resolution 3<br>- Proposed Renewal of Shareholders' Mandate with Greatbrand Food Industries Sdn. Bhd. | | |
| 9. | Special Business<br>Ordinary Resolution 4<br>- Proposed Share Buy-Back of up to 10% of the Issued and Paid-Up Share Capital of ORNA | | |
| 10. | Special Business<br>Special Resolution<br>- Proposed Amendments 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 _________________ 2012.

_______________________________
Signature of Member/Common Seal

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2012 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

2. A member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote in his stead. A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualifications of the proxy.

3. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn. Bhd. of Lot 1A, 6th Floor, Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra, 75350 Batu Berendam, Melaka not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

*fold here*

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

*fold here*

**ORNAPAPER BERHAD** (573695-W)
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