ABRIC™

ABRIC BERHAD

Annual Report 2010

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ABRIC BERHAD
(187259-W)
Annual Report 2010

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ABOUT US

ABRIC is one of the top five global providers of security sealing solutions, with a presence in over 80 countries worldwide. Established more than 25 years, ABRIC is headquartered in Malaysia and is a public company listed on Bursa Malaysia Securities Berhad. Our history dates back to the founding of ABRIC in 1983 when we designed and patented our first security seal for the plantation sector in Malaysia – this seal design has since become a global industry standard. Renowned for one of the largest and strongest portfolio of trusted products in the industry, ABRIC security seals are used for a wide range of applications across industrial sectors to protect customers' brands and products.

As ABRIC continues to grow and evolve, we continue to hold strong to our core mission of "sealing assets globally with quality and integrity". Our 600 employees located in 5 countries on 3 continents are committed to providing security sealing products of high quality and value to organisations worldwide. ABRIC's global sales and distribution centres in Asia Pacific, North America and Europe support a worldwide network of established distributors and customers who are testament to our responsive and superior customer service.

Product innovation is at the core of ABRIC's growth in the security seals industry. To ensure that our seals continue to meet the stringent requirements of today's increasingly demanding applications, our team of research and development engineers is constantly working on new product ideas that keep ABRIC at the forefront of this industry. We collaborate closely with our customers to ensure that ABRIC products are constantly being enhanced and take pride in our wide range of security sealing solutions that are easily customised to specific needs.

ABRIC seals are produced in-house in three modern and high-capacity plants in Thailand, Malaysia and China. Collectively, the plants are well able to produce more than 1 billion seals annually.

ABRIC seals are manufactured under stringent security and manufacturing standards, including the ISO 9001:2000 Quality Management System, ISO 14001:2004 Environmental Management Standards, ISO 17712 Freight Container-Mechanical Seal Standards. ABRIC's high security seals, classified as the Barrier Seals are Customs – Trade Partnership Against Terrorism ("C-TPAT") compliant and U.K. customs approved. Complying with these international standards underscores ABRIC's total and uncompromising commitment to integrity, product quality and customer satisfaction.

MISSION

Sealing assets globally with quality and integrity

VISION

To be the world's leading provider of security sealing solutions

CORE VALUES

Shareholders
Uphold commitment to growth and performance, while operating with complete integrity.

Stakeholders
Treat stakeholders with professionalism and fairness to engender trust and create mutual benefits.

Customers
Provide quality products and outstanding service in a professional manner to develop meaningful relationships.

Employees
Instill passion and teamwork to encourage personal growth.

Environment
Take responsibility for the society and environment in which we conduct our business.

LETTER TO SHAREHOLDERS

Dear Shareholders,

2010 has been a challenging but fulfilling year, and we are pleased to report significant improvements in the Group's financial position.

On behalf of the Board of Directors, we are pleased to present the Annual Report of ABRIC Berhad for the financial year ended 31 December 2010.

For the year ended 31 December 2010, the Group posted a turnover of RM66.5 million, 23% higher than the same period last year. Despite the challenging business environment, we believe that our strategy to streamline and focus on organic growth of our core business has allowed us to expand our market share in key global markets over the past year.

The increased revenue resulted in a RM6.008 million profit after tax attributable to the owners of the Company, as compared to a loss of RM4.173 million in the prior year. The Group's earnings before interest, tax and depreciation ("EBITDA") improved to RM15.837 million in 2010, an increase of 58.7% as compared to RM9.979 million in 2009.

The Group Balance Sheet as at 31 December 2010 is in a stronger position as the total shareholders' funds have increased to RM39.110 million from RM37.024 million as at 31 December 2009. The Group has also retired some bank borrowings from the proceeds of the disposal of an investment property in addition to settlement via internal generated funds, reducing the Group's gearing ratio to 0.92 times as at 31 December 2010 as compared to 1.58 times as at 31 December 2009.

Investing in Growth

Whilst the different markets in which we operate continue to be affected by the economic downturn in different ways and to different extents, our customer focus and flexibility in meeting customer needs has enabled us to grow our market share and profitability during this period, particularly in the United States and Asia Pacific.

The commitment of our colleagues has been key to the delivery of this strong set of results despite the challenging external environment. Our dynamic team has worked tirelessly in transforming ABRIC's business over the past few years. We have now made significant strides in building a stronger financial position, meeting our customers' evolving needs, increasing our market presence as well as improving manufacturing efficiencies.

We continue to invest in our branding and expanding our market presence. Our strong presence in trade shows around the globe and the new product launches in the past year have enabled us to capture a higher share of the global security seals market. Our clients have responded positively to our innovative products that not only comply with the latest security standards but also address their specific industry needs. By working closely with our global clients and being their trusted partners in providing sealing solutions, we believe that we will remain at the forefront of this promising industry.

In view of our strong order book level, we have invested significantly in additional production capacity in our factory in Malaysia to create a wider range of products that complements our product offerings from our production facility in Thailand. The new combined capacities of these two plants will enable us to serve the growing demand of our global customers.

Managing Risk Factors

In line with our efforts to maintain strong fundamentals, the Group has remained focused on managing unfavorable trends in production costs. In 2010, the average price of Polypropylene ("PP") was 8% higher compared to 2009. The price of PP generally follows the price trend of, and varies with market conditions for, crude oil, which in recent times has been highly volatile. To manage this price increase, we have actively sourced alternative supplies and closely monitored our material formulation to mitigate the rising costs of PP. Likewise, the average minimum wage in Thailand in 2010 was 5% higher compared to 2009, and this has prompted our engineers to step up efforts in product automation and process improvements to mitigate the impact of increasing labour costs on the Group's margin.

The Group is also exposed to foreign exchange risks as a significant portion of our business is transacted in foreign currencies. In 2010, the strengthening of the Ringgit Malaysia against the major trading currencies transacted by the Group for its exports was one of the major challenges. The Ringgit Malaysia appreciated against US Dollar by approximately 10% in 2010 compared to prior year. Likewise, the Ringgit Malaysia also appreciated against other currencies such as the Euro (by approximately 17%) and the Great Britain Pound (by approximately 13%). In view of this, we have entered into forward foreign currency contracts in the ordinary course of business to manage such impact on our export earnings.

We have successfully managed our cash flow to balance between capital expenditure requirements and commitments on loan repayments. Trade receivables turnover remains healthy and within the average terms given to customers.

Corporate Exercises

As of the date of this Report, the Group has completed its Corporate Proposals, which include amongst others, the establishment of New Employees' Share Option Scheme ("New ESOS"), Capital Reduction and Rights Issue of five-year warrants ("Warrants"). We believe that the New ESOS will be one of the factors to motivate, retain and reward the employees, who will be given the opportunity to participate in the equity of the Company and thereby, relate their contribution directly to the performance of the Group. The New ESOS is also extended to non-executive directors of the Group as they play a constructive role in contributing towards the growth and performance of the Group. With a stronger sense of ownership, we will be able to attract talent to continue to grow our business.

We have also completed our Capital Reduction and Rights Issue exercise. The Group's financial position is now stronger and better reflects the value of our underlying assets. The completion of the Rights Issue has created immediate gross proceeds from the issuance of Warrants for working capital purposes whilst providing our shareholders with the opportunity to further increase their equity participation in the Company.

Looking Ahead

In 2011 we will need to do even more and we are ready for the challenges that lie ahead. We believe that we have the right fundamentals in place and we will continue our focus on organic growth to strengthen our financial position. External factors such as raw material and labour costs as well as the strengthening of Ringgit Malaysia will continue to pose a challenge for the Group. Nevertheless, the Group will take necessary measures to mitigate the adverse impact arising from these external factors.

Although global economic situation remains challenging, the Group is cautiously optimistic about the overall prospects of the Group and expects to make further progress in 2011.

Acknowledgements

On behalf of the Board, we would like to take this opportunity to express our appreciation to all our customers, employees, shareholders and stakeholders for their continued support and confidence in ABRIC.

Dato' Ong Eng Lock, DIMP, JP
Executive Chairman

Adeline Ong
Chief Executive Officer

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' ONG ENG LOCK, DIMP, JP
Executive Chairman

ADELINE ONG YING HWEY
Chief Executive Officer

ALBERT TAN TIN YAU
Chief Operating Officer

DATO' ABU BAKAR BIN ABDUL HAMID
Independent Non-Executive Director

IR. HON HIN SEE
Independent Non-Executive Director

SOONG CHEE KEONG
Independent Non-Executive Director

BOARD COMMITTEES

Audit Committee

- **Dato' Abu Bakar bin Abdul Hamid**
  Chairman/Independent Non-Executive Director
- **Ir. Hon Hin See**
  Independent Non-Executive Director
- **Soong Chee Keong**
  Independent Non-Executive Director

Risk Management Committee

- **Dato' Abu Bakar bin Abdul Hamid**
  Chairman/Independent Non-Executive Director
- **Adeline Ong Ying Hwey**
  Chief Executive Officer
- **Albert Tan Tin Yau**
  Chief Operating Officer

Nomination Committee

- **Dato' Abu Bakar bin Abdul Hamid**
  Chairman/Independent Non-Executive Director
- **Ir. Hon Hin See**
  Independent Non-Executive Director
- **Soong Chee Keong**
  Independent Non-Executive Director

Remuneration Committee

- **Dato' Abu Bakar bin Abdul Hamid**
  Chairman/Independent Non-Executive Director
- **Ir. Hon Hin See**
  Independent Non-Executive Director
- **Soong Chee Keong**
  Independent Non-Executive Director

Option Committee

- **Dato' Abu Bakar bin Abdul Hamid**
  Chairman/Independent Non-Executive Director
- **Dato' Ong Eng Lock**
  Executive Chairman
- **Adeline Ong Ying Hwey**
  Chief Executive Officer
- **Soong Chee Keong**
  Independent Non-Executive Director

COMPANY SECRETARIES

- **Kuan Hui Fang**
  MIA 16876
- **Ng Yen Hoong**
  LS 008016

REGISTERED OFFICE

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Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
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Fax : +603 2282 2733

AUDITORS

Deloitte & Touche

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EMAIL

abhd@abric.com

PRINCIPAL BANKERS

- RHB Islamic Bank Berhad
- United Overseas Bank (Malaysia) Berhad
- CIMB Bank Berhad

REGISTRAR

Tricor Investor Services Sdn. Bhd.
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +603 2264 3883
Fax : +603 2282 1886

STOCK EXCHANGE LISTING

Listed on Main Market of Bursa Malaysia Securities Berhad on 11 January 1999
Stock Code : 7061
Stock Name : ABRIC

BOARD OF DIRECTORS' PROFILE

DATO' ONG ENG LOCK, DIMP, JP
Executive Chairman

Dato' Ong Eng Lock, a Malaysian aged 53, was appointed to the Board on 27 September 1989. He is also the Chairman of Executive Committee and a member of Option Committee. He holds a Master of Business Administration and a Fellow of Institute of Management (UK) and New Zealand Institute of Management. He started his career with Gadelius Sdn. Bhd. in 1979 before joining United Engineers (Malaysia) Berhad in 1982 where he was involved in industrial products and project management. He started ABRIC in 1983 when he successfully designed and patented plastic security seals for use by the petroleum and plantation industries. Dato' Ong does not have any directorship in other public listed companies. Spouse of Dato' Ong is indirectly a major shareholder of ABRIC Berhad via ABRIC Capital Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965. Daughter of Dato' Ong, Adeline Ong Ying Hwey is the Chief Executive Officer of ABRIC Berhad.

ADELINE ONG YING HWEY
Chief Executive Officer

Adeline Ong Ying Hwey, a Malaysian aged 30, was appointed to the Board on 16 April 2007. She is also a member of the Executive Committee, Risk Management Committee and Option Committee. She holds both BA and M.Eng degrees in Manufacturing Engineering from Cambridge University. She also holds a M.A from Cambridge University and has obtained the ACCA Certified Diploma in Accounting and Finance. She started her career in 2002 when she joined Citibank Malaysia. Adeline is the daughter of Dato' Ong Eng Lock, the Executive Chairman of ABRIC Berhad. Adeline does not have any directorship in other public listed companies.

ALBERT TAN TIN YAU
Chief Operating Officer

Albert Tan Tin Yau, a Malaysian aged 34, graduated with a Bachelor of Engineering from University of Malaya and a Master of Business Administration from the University of Strathclyde, UK. He was appointed to the Board on 1 January 2010 and also a member of the Risk Management Committee. Albert started his career as a Project Engineer in Sime Engineering Sdn. Bhd. in 2002 and was the Procument Manager from 2004 to 2005. He then joined Venturelink3 Sdn. Bhd., a new start-up providing innovative solutions in corporate training and business consultancy services in July 2005 as the Director of Operations. In December 2006, he joined ABRIC as a Senior Manager – Business Development. He was promoted to VP-Head of Marketing in January 2008 and was subsequently promoted to Chief Operating Officer of ABRIC in January 2009. He is also a Graduate Member of Institution of Engineers, Malaysia. Albert does not have any directorship in other public listed companies.

DATO' ABU BAKAR BIN ABDUL HAMID, DSDK, AMK, KMN

Independent Non-Executive Director

Dato' Abu Bakar bin Abdul Hamid, a Malaysian aged 67, was appointed to the Board on 23 May 2001 and is presently the Chairman of Audit Committee, Risk Management Committee, Nomination Committee, Remuneration Committee and Option Committee. Dato' Abu Bakar graduated with a Bachelor of Economics (Hons) from University of Malaya and a diploma of International Trade from Indian Institute of Foreign Trade in New Delhi, India. He commenced his career as an Agricultural Economist in the Federal Agricultural Marketing Authority (FAMA) in 1967 and its Director General from 1995 to 1998. He was a Board Member of FAMA Corporation Sdn. Bhd. and Muda Agricultural Development Authority (MADA). Between 1996 and 1998 he was also the Chairman of Koperasi Kakitangan Kementerian Pertanian Malaysia Berhad and the deputy Chairman of the Association of Food Marketing Agencies in Asia and the Pacific. Dato' Abu Bakar is currently the Chairman of SAAG Consolidated (M) Berhad.

IR. HON HIN SEE

Independent Non-Executive Director

Ir. Hon Hin See, a Malaysian aged 52, was appointed to the Board on 23 May 2001. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He completed the Council of Engineering Part II Examination (UK) and is a member of the Institution of Engineers Malaysia and Association of Consulting Engineers, Malaysia. Ir. Hon is a Registered Professional Engineer in Malaysia and has more than 25 years of experience in building industries. He joined Perunding Hashim & NEH Sdn. Bhd. as a Mechanical Engineer in 1980. Subsequently, he was appointed as its Associate Director in 1992 and Board of Director in 1994. Presently, Ir. Hon does not have any directorship in other public listed companies following his resignation from the Board of SAAG Consolidated (M) Berhad on 21 January 2011.

SOONG CHEE KEONG

Independent Non-Executive Director

Soong Chee Keong, a Malaysian aged 41, joined ABRIC in February 1999 as General Manager of Corporate Finance and was subsequently appointed to the Board on 16 February 2000 as Executive Director. On 1 May 2007, Soong was redesignated from Executive Director to Non-Independent Non-Executive Director following his resignation from ABRIC. He was further redesignated to Independent Non-Executive Director on 2 May 2009. Soong started his career in financial audit in 1993 at BDO Binder. In 1995, he joined the Corporate Finance Department of Bumiputra Merchant Bankers Berhad and was involved in advising on mergers and acquisitions, initial public offers and equity restructuring and project feasibility studies. He is the member of the Association of Chartered Certified Accountants ("ACCA") and the Malaysia Institute of Accountants ("MIA"). Soong is a member of Audit Committee, Option Committee, Nomination Committee and Remuneration Committee. He also sits on the Board of Century Logistics Holdings Berhad.

Note:

Save as disclosed, the above Directors have no family relationship with any Director and/or major shareholder of ABRIC Berhad, have no conflict of interest with ABRIC Berhad and have not been convicted of any offence within the past ten (10) years.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of ABRIC Berhad ('the Board") is committed to ensure that high standards of corporate governance are practiced throughout the Group and that integrity and fair dealing are paramount in all its activities with the objective of protecting the Group's assets and enhancing shareholders' value.

In line with this commitment, the Board has taken and is continuously reviewing, where appropriate, the necessary steps to comply with the requirements on standard of corporate responsibility, integrity and accountability and provide greater disclosure and transparency by fully complying with all the Principles in Part 1 of the Malaysian Code on Corporate Governance ("the Code") and adopting the Best Practices as recommended in Part 2 of the Code, details of which are prescribed in this statement.

A. THE BOARD OF DIRECTORS

The Board

ABRIC is led by an experienced Board comprising a mix of members with a wide range of experience and expertise in the relevant fields such as accounting, economics and management, engineering, business and banking. With their broad range of skills, experience and knowledge, the Board effectively oversee the Group's business activities.

As a team, the Board brings to bear independent and sound judgement on issues encompassing strategy, performance, resources and standards of conduct.

A profile of each Director is published on pages 7 and 8 of this Annual Report.

Board Composition

The Board has six (6) directors comprising three (3) Executive members and three (3) Non-Executive members, who are independent.

The composition is in compliance with the Paragraph 15.02 of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be independent directors.

The Board's composition is such that no individual or group of individuals dominates the Board's decision making.

Board Responsibilities and Duties

The roles and functions of the Board as well as the differing roles of Executive Directors and Non-Executive Directors have been clearly defined. The Executive Chairman is responsible in ensuring the integrity and effectiveness of the Board in all aspects of its role and agenda, whilst the Chief Executive Officer has overall responsibility for the operating units, organisational effectiveness and implementation of Board policies and decisions.

The Independent Non-Executive Directors also contribute to the formulation of policies, providing unbiased and independent views, advice and judgement. They also act to safeguard the interest of the minority shareholders in respect of decisions taken by the Board pertaining to the undertaking of the various business initiatives.

Apart from the above, the Board's more specific responsibilities include the followings:

- Reviewing and guiding the Group and the Company's corporate strategy and adopting a strategic plan for the Group through the development of risk policy and annual budgets.
- Monitoring corporate performance and the conduct of the Group's business and ensuring compliance to best practices and principles of corporate governance.
- Identifying and implementing appropriate systems to manage risks. The Board undertakes this responsibility through the Risk Management Committee and the Audit Committee.
- Ensuring the existence of and reviewing the adequacy and soundness of the Group's financial systems, internal control systems and that management systems are in compliance with applicable standards, laws and regulations.
- Developing and implementing an investor relation programmes or shareholders' communication policy for the company.
- Ensuring a transparent Board nomination and remuneration process including succession planning for top management and ensuring the skills and experience of the directors in the Board are adequate for the discharge of their responsibilities.

Board Meeting

Board Meetings for each calendar year are scheduled at the beginning of the year with firm dates, venue and time. This enables directors to plan their schedules to ensure full attendance.

The planned schedules take into consideration the timing for the release of the quarterly results of the Group and allow the members to review and deliberate on the Group's results before these are announced to Bursa Securities. The Board is however, not restrained by scheduled meetings and wherever there is a need for matters to be discussed between planned Board Meetings, a special Board Meeting will be convened.

During the financial year ended 31 December 2010, seven (7) Board meetings were held. Details of attendance of the Directors at Board Meetings held during the financial year are as follows:

Name of Director	No. of meetings attended	Percentage
Dato' Ong Eng Lock	7/7	100%
Adeline Ong Ying Hwey	7/7	100%
Albert Tan Tin Yau	7/7	100%
Dato' Abu Bakar bin Abdul Hamid	7/7	100%
Ir. Hon Hin See	7/7	100%
Soong Chee Keong	7/7	100%

Supply of Information to the Board

The Board recognises that the decision making process is highly dependent on the reliability and completeness of information furnished to it. As such, the Board members have full and unrestricted access to information on the Group's business and affairs, whether as a full Board or in their individual capacity, in discharging their duties. The Board receives timely advice on all relevant information about the Group.

Prior to Board meetings, the Directors receive the agenda and a full set of Board papers containing information relevant to the matters to be deliberated at the meeting. The Board papers are comprehensive and encompass both quantitative and qualitative factors to facilitate prudent and informed decision making. The minutes of the previous Board meeting are also circulated to the Directors and confirmed at each meeting. Minutes of the Board Meetings are maintained at the Registered Office of the Company.

All Directors also have full access to the advice and service of the Company Secretaries in the course of their duties. The Company Secretaries are responsible for ensuring that Board meeting procedures are adhered to at all times and that applicable rules and regulations are complied with. Where necessary, the Directors may obtain independent professional advice at the Company's expense on specific issues to enable the Board to discharge their duties on matters being deliberated.

Board Committees

The Board of Directors delegates specific responsibilities to the respective Committees of the Board namely the Audit Committee, the Nomination Committee, the Remuneration Committee, and the Option Committee.

Appointments to the Board

The Nomination Committee consists of three (3) Directors who are Independent Non-Executive Directors. This Committee is responsible for making recommendations on the new nominees for Board appointments and assessing these directors on an on-going basis. The final decision on the appointment of directors lies with the full Board.

Re-election of Directors

In accordance with the Company's Articles of Association, at least one third (1/3) of the Board members are required to retire from office by rotation annually and subject to re-election at each Annual General Meeting. Newly appointed Directors will hold office only until the next Annual General Meeting and be subject to re-election. The Directors seeking re-election at the forthcoming meeting are disclosed in the Notice of the Annual General Meeting on pages 135 to 136 of this Annual Report.

Directors' Training

Continuous education is vital for the Board members to gain insight into the state of the economy, technological development, latest regulatory developments and management strategies in relations to the Group's business.

All directors have attended and completed the Mandatory Accreditation Program ("MAP") as required by Bursa Securities.

Details of training attended by Directors during the financial year ended 31 December 2010 are shown below:

Training/Conference/Seminar/Workshop	Date
Bursa Malaysia – MIA Evening Talk: *Corporate Governance*	Jan 2010
FMM-MITI Seminar on Create & Expand your Markets Through Malaysia FTAs	March 2010
The Changing Landscape of Shareholder Activism – *The Roles We Play*	June 2010
Views from the Boardroom – *Challenges Directors Face*	June 2010
Independent Directors – *Actual verses Perceived Independence*	June 2010
Malaysian Institute of Corporate Governance – *Stoking the Fire of Corporate Governance*	July 2010
The Institute of Internal Auditors Malaysia (IIA Malaysia) – *Statement on Risk Management and Internal Control*	July 2010
Pricing Strategies in Tough Times – *For Competitive Advantage and Improved Profits*	August 2010
Conference on Competitiveness: *Driving Innovation for Competitiveness*	November 2010
Directors Training on Scorecard Performance Management & KRA's	December 2010

DIRECTORS' REMUNERATION

The Remuneration Committee is entrusted with the role of determining and recommending suitable policies in respect of remuneration packages for Executive Directors and Senior Management of the Group to ensure that rewards commensurate with their experience and individual performances. The Remuneration Committee consists of three (3) Independent Non-Executive Directors.

The Non-Executive Directors are provided with fixed Directors' monthly allowance. The Board as a whole determines the remuneration of Non-Executive Directors based on experience and level of responsibilities undertaken. Each individual Director shall abstain from discussion pertaining to his own remuneration.

Director fees are approved at the Annual General Meetings. The aggregate remuneration of directors distinguishing between Executive and Non-Executive directors for the financial year ended 31 December 2010 are set out below:

	Fees RM	Salaries & Other Emoluments RM	Total RM
Executive Directors	-	1,244,600	1,244,600
Non-Executive Directors	36,000	-	36,000
Total	36,000	1,244,600	1,280,600

^ *The amount is inclusive of salary, bonus, allowances, benefits-in-kind and Employee Provident Fund (employer's contribution).*

The number of directors distinguishing between Executive and Non-Executive directors whose remuneration falls into the following bands are set out below:

Range of Remuneration (RM)	Executive Director	Non-Executive Director
50,000 and below	-	3
250,001 – 300,000	1	-
350,001 – 400,000	1	-
550,001 – 600,000	1	-
Total	3	3

B. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Group recognises the importance of effective communication with its shareholders, other stakeholders and the financial community on all major developments of the Group on a timely and accurate basis.

Dialogue between the Group and Investors

The Group communicates regularly with shareholders and investors through the annual report, quarterly financial reports, and various announcements made via the Group's website.

The Annual Report is the key channel of communication with shareholders and investors, which incorporates comprehensive and sufficient details about financial results, and activities of the Group throughout the year. As part of cost-saving initiatives and in support of the government's effort to increase IT awareness among members of the public, the Group has initiated the despatch of its Annual Report in CD-ROM format to shareholders since year 2008. Notice of Annual General Meeting and other information is distributed together with the CD to shareholders. Shareholders may also request for printed copies of the Annual Report. The Annual Report is also made available on the Group's website.

The Group maintains a website at www.abric.com where shareholders as well as members of the public are invited to access the latest information about the Group. The website offers information on the full range of ABRIC security sealing solutions, news and announcements, industry requirements and industry insights.

As part of the Group's effort to increase and enhance communication with our stakeholders in general, the Group launched a newsletter "Seals" during the year, which provides interesting articles on the security sealing industry.

To enhance access and to effectively address any issues and concerns, the Group has set up a dedicated email address (abhd@abric.com), to which its stakeholders can direct their queries.

Annual General Meeting

The Annual General Meeting remains the principal forum for dialogue with shareholders and provides an open forum at which shareholders and investors are informed of current developments. Shareholders are given the opportunity to ask questions about the resolutions being proposed or about the Group's operations in general.

C. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for ensuring that financial statements prepared for each financial year give a true and fair view of the Group's state of affairs. The Directors took due care and reasonable steps to ensure that the requirements of accounting standards were fully met. Quarterly financial statements were reviewed by the Audit Committee and approved by the Board prior to their release to Bursa Securities.

Statement on the Extent of Compliance with the Best Practices in Corporate Governance Set Out in Part 2 of the Code

The Group is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. In this regard, the Board considers that the Group has complied with the Best Practices as stipulated in Part 2 of the Code throughout the financial year ended 31 December 2010.

Statement on Director's Responsibility Statement for Preparing the Audited Financial Statements

The Board are required by the Companies Act, 1965 to ensure that the Group's financial statements are prepared in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In the course of preparing the annual financial statements, the Directors have:

- adopted applicable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured that all applicable accounting standards have been complied with; and
- prepared the financial statements on a going concern basis, as the Board has reasonable expectations, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

Internal Control

The Board has overall responsibility of maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations and compliance with laws and regulations, as well as with internal control procedures and guidelines.

The Statement on Internal Control which provides an overview of the system of internal control within the Group is set out in pages 23 to 25 of this Annual Report.

Relationship with the Auditors

An appropriate relationship is maintained with the Company's auditors through the Audit Committee and the Board. The Audit Committee has been explicitly accorded the power to communicate directly with both the external and internal auditors.

The Audit Committee meets with the external and internal auditors to discuss the audit plan, annual financial statements and their audit findings. The Audit Committee maintains a formal yet open and transparent relationship with the external auditors and is at liberty to request for a meeting at their discretion. The Audit Committee also met twice with the External Auditor without the presence of Management for the financial year ended 31 December 2010.

A full Audit Committee Report is set out in pages 17 to 22 of this Annual Report.

AUDIT COMMITTEE REPORT

The Board have pleasure in presenting the Audit Committee Report for the financial year ended 31 December 2010.

A. COMPOSITION OF AUDIT COMMITTEE

Name	Designation
Dato' Abu Bakar bin Abdul Hamid	*Chairman, Independent Non-Executive Director*
Ir. Hon Hin See	*Independent Non-Executive Director*
Soong Chee Keong	*Independent Non-Executive Director*

In line with the Corporate Governance Code, all three (3) members of the Audit Committee are Non-Executive Directors. All three (3) members are independent directors. Soong Chee Keong is a member of the ACCA and the MIA. In this respect, ABRIC Berhad is in compliance with the paragraph 15.09(1)(c) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad.

B. TERMS OF REFERENCE

Composition of Audit Committee

The Audit Committee shall be appointed from amongst the Board of Directors and shall:

(a) consist of not less than 3 members;
(b) all members must be Non-Executive Directors, with a majority of them being Independent Director; and
(c) at least one member of the Committee must be a member of MIA or such other qualifications or experience as approved by Bursa Malaysia Securities Berhad.

The Chairman of the Committee shall be an Independent Director.

In the event of any vacancy on the Audit Committee resulting in the non-compliance of the above, the Board shall within three (3) months appoint new members as required to make up the minimum numbers.

Authority and Duties

(a) The Committee is authorised to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary.

(b) To review:
- With the external auditors, the audit plan; their evaluation of the system of internal controls; and their audit report;
- The assistance given by the employees to the external auditors;
- The adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- The internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- The quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
  (i) changes in or implementation of major accounting policy changes;
  (ii) significant and unusual events; and
  (iii) compliance with accounting standards and other legal requirements;
- Any related party transaction 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;
- Any letter of resignation from the external auditors of the Company; and
- Whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.

(c) Recommend the nomination of a person or persons as external auditors.

(d) Such other matters as the Committee may from time to time determine.

Meetings

The Committee shall meet on at least four (4) occasions each year. The Chairman shall convene a meeting of the Committee if requested to do so by any member, the management or the internal or external auditors to consider any matter within the scope and responsibilities of the Committee.

In order to form a quorum in respect of a meeting of an audit committee, the majority of members present must be Independent Directors. Any questions arising at any meeting shall be decided by a majority of votes and in case of equality of votes the Chairman shall have a second or casting vote.

The Company Secretary shall act as the Secretary of the Committee and shall be responsible for sending out notices of meetings and preparing and keeping the minutes of meetings.

Except in the case of any emergency, reasonable notice of every meeting shall be given in writing and the notice of each meeting shall be served to any member entitled personally or by sending it via fax or through post or by courier or by email to such member to his registered address as appearing in the Register of Directors, as the case may be.

Participants may be invited from time to time to attend the meetings depending on the nature of the subject under review. These participants may include the Director, General Managers, Division Heads, representatives from the Finance, internal and external auditors, and officers of subsidiary companies.

The Committee should meet with the external and/or internal auditors without executive board members present at least twice a year.

C. MEETINGS OF THE AUDIT COMMITTEE

A total of seven (7) meetings were held during the financial year and details of attendance of each member are as follows:

Name	Attendance	Percentage
Dato' Abu Bakar bin Abdul Hamid	7/7	100%
Ir. Hon Hin See	7/7	100%
Soong Chee Keong	7/7	100%

Representatives of Management, Internal Auditors and the External Auditors also attended the meetings at the invitation of the Committee.

The External Auditors attended three (3) Audit Committee meetings in 2010 to present the auditors' review reports on the unaudited quarterly financial statements, auditors' report on the annual audited financial statements for financial year ended 31 December 2009 and Audit Planning Memorandum for the financial year ended 31 December 2010.

The Audit Committee also met with the External Auditors on two (2) occasions in 2010 without the presence of the Management, to make enquiries in relation to the management's corporation in financial reporting and to make known their views on any matter to the Audit Committee or, which in their opinion, should be brought to the Audit Committee's attention.

Deliberations during the Audit Committee meetings, including the issues discussed and the rationale for decisions, were recorded. Minutes of Audit Committee meetings were tabled for confirmation at the next Audit Committee meeting and subsequently distributed to the Board for notation. The Audit Committee Chairman presented the Audit Committee's recommendation, together with rationale, to the Board for approval of the quarterly and annual financial statements. The Audit Committee Chairman also conveyed to the Board matters of significant concern as and when raised by the External Auditors or Internal Auditors.

D. SUMMARY OF ACTIVITIES

The Audit Committee carried out its duties in accordance with its terms of reference during the financial year ended 31 December 2010. The main activities undertaken by the Committee are as follows:

Financial Results

- Reviewed the quarterly results and audited financial statements of the Group to ensure compliance with the relevant MMLR of Bursa Securities, the provisions of the Companies Act, 1965 and applicable accounting standards in Malaysia, prior to submission to the Board for consideration and approval. The review was also focus on changes in or implementation of major accounting policy changes, and significant and unusual events.

External Audit

- Reviewed with External Auditors the Audit Planning Memorandum covering the audit objectives and approach, current development, key audit areas, consideration of fraud, internal control, independent policies and procedures and recent technical pronouncements and regulations.
- Reviewed with External Auditor the results of the audit and Audit Report in particular inclusive accounting issues and significant audit adjustments arising from the audit.
- Noted the Review Report of the External Auditors to the Board on the Statement on Internal Control.
- Evaluate the performance of the External Auditor and make recommendations to the Board on their re-appointment and remuneration.

Internal Audit

- Reviewed the Internal Audit Plan to ensure adequate scope and coverage on the activities of the Group taking into consideration the assessment of the key risks areas.
- Reviewed the results of the Group's internal audit procedures and the adequacy of actions taken by the management based on the Internal Audit Reports. Where appropriate, the Audit Committee has directed the management to rectify and improve controls and operational workflow based on the internal audit's recommendations for improvements.
- Reviewed the Internal Audit Reports arising from the follow-up review following each audit.

Others

- Reviewed the draft Annual Report for the year ended 31 December 2009, inclusive Audit Committee Report and Statement on Internal Control and recommended to the Board for consideration and approval.

- Reviewed the draft Circular to Shareholders dated 27 May 2010 in relation to the Proposed Disposal of a property known as Lot 80, No. 17, Jalan Tandang, 46050 Petaling Jaya, Selangor Darul Ehsan, through ABRIC Properties Sdn. Bhd., a wholly-owned subsidiary of ABRIC to GD Facilities & Assets Management Sdn. Bhd., a wholly-owned subsidiary of GD Express Carrier Berhad for a total cash disposal consideration of RM20,800,000.
- Reviewed the draft Circular to Shareholders in relation to the Proposed Amendment to Articles of Association of the Company.
- Reviewed the draft Circular to Shareholders in relation to:
  - (i) Proposed Termination of ABRIC's existing Employees' Share Option Scheme ("ESOS") which was extended for a period of five (5) years up to 14 May 2012
  - (ii) Proposed establishment of a New ESOS of up to fifteen percent (15%) of the issued and paid-up capital of the Company at any point in time, for the employees and directors (including non-executive directors) of ABRIC Group
  - (iii) Proposed reduction of the Company's issued and paid-up share capital which entails:
    - (a) The cancellation of RM0.70 from the existing par value of every existing ordinary share of RM1.00 each in ABRIC pursuant to Section 64 of the Companies Act, 1965 ("Act"); and
    - (b) The reduction of RM17,096,926 from the Share Premium account of ABRIC pursuant to Section 64 and Section 60(2) of the Act, to be off-set against the accumulated losses of ABRIC
  - (iv) Proposed Renounceable Rights Issue of up to 50,361,250 five (5)-year warrants ("Warrants") on the basis of one (1) Warrant for every two (2) ordinary shares of RM0.30 each held after the Proposed Capital Reduction at an issue price of RM0.03 per Warrant
  - (v) Proposed reduction in the authorised share capital of ABRIC from RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each to RM150,000,000 comprising 500,000,000 ordinary shares of RM0.30 each
  - (vi) Proposed amendments to Memorandum and Articles of Association of ABRIC to allow for the alteration in the authorised share capital of ABRIC

E. INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to a professional services firm whose primary responsibility is to independently assure the Board, through the Audit Committee, that the systems of internal control are functioning effectively and reliably.

The outsourced Internal Audit function focuses on the key areas of operations, adopting a risk-based approach in the planning and conduct its audits.

The Internal Audit reports, incorporating the audit recommendations and management responses with regards to audit findings relating to the weaknesses in the systems and controls of the respective operations audited, were issued to the Audit Committee and the management of the respective operations.

The Internal Audit function also followed up with the management on the implementation of the agreed audit recommendations. The extent of compliance is reported to the Audit Committee on a regular basis. The Audit Committee in turn reviews the effectiveness of the system of internal controls in operation and reports the results thereon to the Board.

The Board, in striving for continuous improvement, will put in place appropriate action plans, where necessary, to further enhance the Group's systems of internal control.

Business functions under review for the financial year ended 31 December 2010 are as follows:

Operating Unit	Auditable Functions
ABRIC Worldwide Sdn. Bhd.	• Financial Close Period • Treasury Management • Budgetary Preparation
ABRIC International Sdn. Bhd.	Follow up audit on: • Revenue Cycle • Inventory Management & Logistics • Costing Review
ABRIC Worldwide Sdn. Bhd. ABRIC One Sdn. Bhd.	Follow up audit on: • Sales & Order Management • Human Resources Management • Information Technology

The costs incurred in maintaining the outsourced internal audit function for the financial year ended 31 December 2010 amounted to RM25,500.

F. STATEMENT IN RELATION TO THE ALLOCATION OF OPTIONS PURSUANT TO ESOS BYE-LAWS

The Audit Committee reported that they have verified that no options were allocated to during the financial year ended 31 December 2010.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of the Bursa Malaysia Securities Berhad and the Malaysian Code of Corporate Governance ("the Code"), the Board of Directors ("the Board") is pleased to provide a statement on the state of the Group's internal controls.

BOARD'S RESPONSIBILITY

The Board affirms its overall responsibility for the Group's systems of internal control which includes the establishment of an appropriate control environment and risk management framework as well as for reviewing the adequacy and integrity of its internal control system.

Due to the limitations that are inherent in any system of internal control, such system put in place within the Group can only manage risks to an acceptable level rather than eliminate the risk of failure to achieve the business objectives of the Group. Accordingly, such a system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the financial statements is sound and adequate to safeguard the shareholders' investment and the Group's assets.

RISK MANAGEMENT

The Board recognises that risk management is an integral part of the Group's business operations and that the identification and management of risks will affect the achievement of the Group's business objectives. During the financial year, the Management assisted the Board in the implementation of the Board's policies and procedures relating to risk management of the Group. This serves as the on-going process of identifying, assessing and managing risks faced by the Group.

INTERNAL CONTROL MECHANISM

The responsibility for reviewing the adequacy and integrity of the internal control system has been delegated by the Board to the Audit Committee. In turn, the Audit Committee assesses the adequacy and integrity of the internal control system through independent reviews conducted on reports it receives from external auditors, the outsourced internal audit function and the Management.

During the financial year under review, the outsourced internal audit function conducted internal audit reviews in accordance with the internal audit plan approved by the Audit Committee. The results of the reviews and recommendations for improvement were formally tabled at the quarterly Audit Committee meetings. Based on the internal audit reviews conducted, no significant weaknesses were identified which have resulted in material losses, contingencies or uncertainties requiring separate disclosure in the annual report.

The external auditors provide assurance in the form of their annual statutory audit of the financial statements of the Group. Significant areas of audit and areas for improvement identified during the course of the statutory audit were highlighted to the Audit Committee's attention through Audit Review Memorandum, or were articulated at Audit Committee meetings.

MANAGEMENT CONTROL PROCESSES

The Group has set in place well-established standard operating procedures covering all significant business processes of the Group. Internal control mechanisms are embedded in such business processes to ensure smooth and continuous check and balances exist throughout the business operations. The Board has also put in place clear lines of responsibility and accountability that ensures proper delegation of authority at various management and functional levels.

The other key elements of the Group's internal control systems are:

- The Board conducts an annual review of the Group's strategic business plan and annual budget. Each subsidiary produces and submits an annual budget for Management's review and ultimately to the Board for its approval.

- The Management monitors the performance of companies within the Group by reviewing its results and comparing its against its budget. Any material variances are deliberated, analysed and corrective actions are taken on a timely manner.

- The Group Executive Chairman reports to the Board on significant changes in the business and the external environment which affects the Group.

- The releases of financial and non-financial information are made after being reviewed by the Audit Committee and approved by the Board.

- The Risk Management Committee was established to assist the Board in overseeing the risks of the Group and the overall risk management processes implemented by the Group to manage risks.

- An organisational structure with formally defined lines of responsibility and delegation of authority is in place.

- There are proper guidelines within the Group for hiring and resignation of employee, and annual performance appraisals in place to ensure that employees remain competent in carrying out their responsibilities.

- Training and development programmes are established to ensure that employees are kept up to date with the necessary skills and competencies to carry out their responsibilities.

- The Group's manufacturing plants have established through a series of documented procedures in conjunction with ISO 9001:2000 and ISO 14001:2004 requirements. Conformance to the system and procedures is further ensured by periodic internal quality audits and surveillance audits.

- The Employee Handbook which governs the ethical standards and conduct at work has been established for all employees.

REVIEW OF THIS STATEMENT

Pursuant to Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement for the inclusion in the Annual Report for financial year ended 31 December 2010, and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

CONCLUSION

The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of this Annual Report is sound and sufficient to safeguard the shareholders' investment, the interest of stakeholders and the Group's assets.

STATEMENT ON RISK MANAGEMENT

The Group has in place an on-going process of identifying, evaluating and managing the risks faced by the Group in pursuing its business objectives and strategies throughout the financial year.

A. COMPOSITION OF RISK MANAGEMENT COMMITTEE

Name	Designation
Dato' Abu Bakar bin Abdul Hamid	*Chairman, Independent Non-Executive Director*
Adeline Ong Ying Hwey	*Chief Executive Officer*
Albert Tan Tin Yau	*Chief Operating Officer*

B. TERMS OF REFERENCE

Authority and Duties

The role of the Committee shall be as follows:

a) Identification of the nature and extent of risks facing the company;
b) Evaluation of the likelihood of such risks materialising;
c) Assessment of Company's ability to reduce the incidence of risks and their impact on the business;
d) Delineation of the extent and category of risks acceptable for company to bear;
e) Assessment of the cost of operating particular controls relative to benefits obtainable in managing the related risks;
f) Recommendation of actions to the Board of Directors; and
g) Monitoring the adequacy of risk management framework implemented.

Meetings

Meeting of the committee shall be held not less than four (4) times a year and the Chairman may call a meeting of the committee if any committee member makes a request.

Two (2) members present shall constitute a quorum and the Chairman may nominate any of the other two (2) members to chair the meeting in his absence.

All employees of the Group are directed to give full assistance to the Committee and the Committee is granted the authority to obtain external assistance as and when required.

C. RISK MANAGEMENT FRAMEWORK

The Committee recognises that business face risks when operating in their dynamic environments. As such, control systems need to be established to measure and manage the likelihood of the risks to acceptable levels as well as minimise the consequences that may arise as a result of exposure to these risks. In designing the control systems, the cost of control should also be managed corresponding to the significance of the risk factors.

The Committee delineated risks in four (4) main categories, together with proposed measures to address the risks. Action items to mitigate these risks together with the personnel responsible to execute the follow-up measures are also recommended by the Committee. The risk categories are as follows:

Management Risks

- Regulatory risk
- Industry/strategic decision risk
- Operational risk
- Empowerment/integrity risk
- Project viability/financial decision making risk
- Contract commitment risk
- Capacity risk
- Overhead risk
- Organisation and human resources risk
- Information processing/communications risk

Financial Risks

- Credit risk
- Foreign currency risk
- Loan interest rate risk
- Liquidity risk
- Cash flow risk

Products and Services

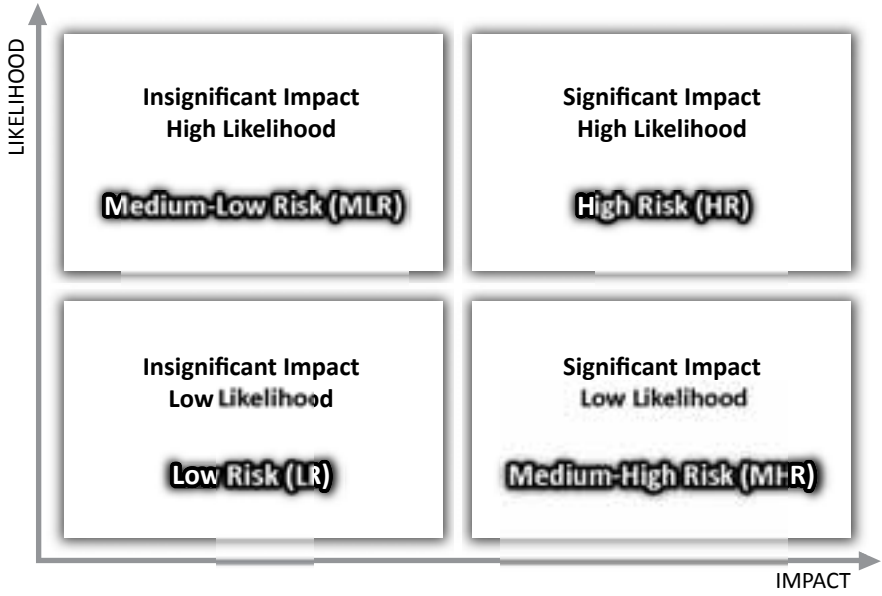
- Competitor risk
- Products defects and customer satisfaction
- Product development risk
- Obsolescence risk

Political and Economic Stability

- Political and economic risks

Risk Matrix

A Risk Matrix depicting the significance of the risks in terms of the impact and likelihood of occurrence was updated accordingly after every review. The location of the risks in each quadrant depicts the following:



During the financial year ended 31 December 2010, four (4) Risk Management Committee meetings were held. Details of attendance of the Committees at Risk Management Committee held during the financial year are as follows:

Name	Attendance	Percentage
Dato' Abu Bakar bin Abdul Hamid	4/4	100%
Adeline Ong Ying Hwey	4/4	100%
Albert Tan Tin Yau	4/4	100%

Every Risk Management Committee meeting, the Committee and Management jointly updated the Group's Risk Matrix and risk mitigation action plans.

STATEMENT OF ADDITIONAL COMPLIANCE INFORMATION

The information set below is disclosed in compliance with the Main Market Listing Requirements ("MMLR") of Bursa Securities:

Options, Warrants or Convertible Securities

The Executives' Share Options Scheme ("ESOS") for eligible executives and executive directors of the Group, which was effective on 15 May 2002, expired on 14 May 2007. In accordance with Bye-Law 4.1 of the ESOS Bye-Laws and upon recommendation by the Option Committee, the Board has approved the extension of the ESOS for another five (5) years to 14 May 2012. Details of the ESOS are disclosed in the Directors' report on page 35 of this Annual Report. No options have been exercised by the eligible executives and executives directors for the financial year ended 31 December 2010.

At an Extraordinary General Meeting held on 16 December 2010, the Company obtained approval from its shareholders on the termination of the ESOS.

At the same extraordinary general meeting, the Company also obtained approval from its shareholders on the establishment of new ESOS ("New ESOS") for eligible employees and directors (including non-executive directors) of the Group, which is effective on 4 March 2011 and will expire on 3 March 2016. The New ESOS is administered by the ESOS Committee and governed by the New ESOS Bylaws. Details of the New ESOS are disclosed in the Directors' report on page 36 of this Annual Report.

Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company, Directors or Management by the relevant regulatory authorities.

Non-Audit Fees

Non-audit fees totaling RM3,000 were paid to the external auditors during the financial year ended 31 December 2010 for the provision of professional advisory services for the review of the Statement on Internal Control pursuant to MMLR of Bursa Securities.

Material Contracts

There were no material contracts involving the Company and its subsidiaries with directors and major shareholders of the Company either still subsisting at the end of the financial year ended 31 December 2010 or entered into since the end of the financial year.

Revaluation Policy

The Company has not adopted a revaluation policy on landed properties.

Share Buy-Backs

There was no share buy-backs during the financial year ended 31 December 2010.

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

The Company has not sponsored any ADR or GDR programme for the financial year ended 31 December 2010.

Variation in Results

There were no material variances of 10% or more between the audited results and unaudited results of the Group for the financial year ended 31 December 2010.

Profit Guarantee

The Company did not issue any profit guarantee for the financial year ended 31 December 2010.

Recurrent Related Party Transactions ("RRPT") Statement

During the year, the Company did not enter into any recurrent related party transactions of revenue or trading in nature.

Utilisation of Proceeds

As at 4 May 2011, the status of the utilisation of proceeds from the Renounceable Rights Issue of 49,526,250 Warrants on the basis of one (1) warrant for every two (2) existing shares of the Company at an issue price of RM0.03 per Warrant which was completed on 14 April 2011 is as follows:

Purposes	Proposed Utilisation RM	Amount Utilised RM	Balance Unutilised RM	Time frame
Working capital	885,787	54,759 #	831,028	Within six (6) months from the receipt of the proceeds
Estimated expenses for the Proposals	600,000	600,000	-	Within one (1) month from the receipt of the proceeds
Total	1,485,787	654,759	831,028	

Inclusive of excess in estimated expenses for the Proposals amounting to approximately RM54,759.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Group is driven by the belief that in pursuit of our business objectives, we need to strike a balance between profitability and our contribution to the environment and society in which we operate. With such belief, the Group is committed and uses its best endeavour to integrate CSR practices into its day to day business operations and they form our core values which govern the way in which we operate.

OUR ENVIRONMENT

It is our responsibility to apply our capabilities towards creating a better and safer world. The Group is very committed to achieve excellence in manufacturing and manage our operations in an environmentally sustainable manner. Our products are manufactured under stringent environmental and manufacturing standards including ISO 14001:2004 Environmental Management Standards.

The Group undertakes to:

- Minimise raw material wastages wherever feasible, whilst ensuring product quality;
- Ensure compliance to all relevant environmental laws and raise the environmental awareness levels among employees; and
- Continuously improve and maintain our environmental and quality management systems.

At ABRIC, we take our responsibility as a corporate citizen very seriously and contribute to the society in which we conduct our business. The Group assists in providing industrial training for students from local universities and technical schools. The Group also makes donation to charitable organisations from time to time.

OUR STAKEHOLDERS

We are committed to the interests of all our stakeholders – our shareholders, customers and suppliers. The Group emphasises good corporate governance practices to meet shareholder's expectations. Our seals are manufactured under stringent security and manufacturing standards, including ISO 9001:2000 Quality Management System, ISO 14001:2004 Environmental Management Standards, ISO 17712 Freight Container-Mechanical Seal Standards. ABRIC's high security seals, classified as the Barrier Seals are C-TPAT compliant and U.K. customs accepted.

Complying with these international standards underscores the Group's total and uncompromising commitment to integrity, product quality and customer satisfaction. For our suppliers, we practise transparent and fair procurement policies. We ensure that our suppliers not only meet our stringent technical requirements but that their business practices are aligned with ABRIC's core values.

OUR EMPLOYEES

We recognise that human capital is our primary driver for success. The main activities undertaken by the Group during the year were as follows:

- Conducted various in-house training and sharing programmes;
- Conducted on-the-job training for all new employees; and
- Promote participation in external training, conducted by professional trainers to enhance skills and knowledge of the employees.

Creating a safe working environment and ensuring adherence to safety practices is also of the paramount importance to the Group. Our Group's Occupational Safety and Health Policy are implemented to ensure that the safety and health of all employees at the workplace is not compromised. As part of our commitment to provide a safe workplace, we regularly carry out health and safety programmes such as fire drills, safety checks on equipment, first aid training, and plant evacuation exercises.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of administrative services.

The principal activities of the subsidiary companies are disclosed in Note 17 to the Financial Statements.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year other than those disclosed in the significant corporate events.

SIGNIFICANT CORPORATE EVENTS

(i) On 11 January 2010, the Company entered into a Sale and Purchase of Shares Agreement with a third party to dispose of its entire equity interest in Cabrict Group, which consists of Cabrict Sdn Bhd ("CSB") and Cabrict North America Inc. ("CNA") for a total cash consideration of RM2. The equity interest of the Company in CSB is 70%, whilst CSB holds 90% equity interest in CNA. The said disposal has resulted in a gain of RM503,688 to the Group.

(ii) On 3 August 2010, the Company announced that e-Locked Asia Limited ("e-Locked"), a dormant 72.4% owned subsidiary company of ABRIC Worldwide Sdn Bhd ("AWSB"), which in turn is a wholly-owned subsidiary company of the Company, has received notification from the Companies Registry, Hong Kong that e-Locked had been deregistered with effect from 9 July 2010. e-Locked is accordingly dissolved from the date of the publication of the gazette dated 9 July 2010. Consequent thereto, e-Locked together with its subsidiary companies, Lockseals International Limited, e-Locked Inc. and e-Locked Holdings Limited (collectively referred to as "e-Locked Group") have not been consolidated from the Group.

(iii) The corporate proposals announced on 9 August 2010 which were completed on 13 April 2011 are as follows:

   (a) Termination of the Company's existing employees' share option scheme ("ESOS") which was extended for a period of five (5) years up to 14 May 2012;

   (b) Establishment of a new ESOS of up to fifteen percent (15%) of the issued and paid-up capital of the Company at any point in time, for the employees and directors (including non-executive directors) of the Group;

(c) Reduction of the Company's issued and paid-up share capital which entails the cancellation of RM0.70 from the existing par value of every existing ordinary share of RM1.00 each in the Company pursuant to Section 64 of the Companies Act, 1965 ("Act") and the reduction of RM17,096,926 from the share premium account of the Company pursuant to Section 64 and Section 60(2) of the Act to be off-set against the accumulated losses of the Company ("Capital Reduction");

(d) Renounceable rights issue of 49,526,250 Warrants on the basis of one (1) warrant for every two (2) existing shares of the Company at an issue price of RM0.03 per warrant;

(e) Reduction in the authorised share capital of the Company from RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each to RM150,000,000 comprising 500,000,000 ordinary shares of RM0.30 each; and

(f) Amendments to the Memorandum and Articles of Association of the Company to allow for the alteration in the authorised share capital of the Company

(collectively referred to as "the Proposals").

On 16 December 2010, the Company obtained approval from its shareholders via extraordinary general meeting in relation to the Proposals.

On 26 January 2011, the Company announced that the High Court of Malaya in Kuala Lumpur had granted an order confirming the Capital Reduction pursuant to Section 64 and Section 60(2) of the Act.

On 14 February 2011, the Company announced that the Sealed Order of the High Court of Malaya in Kuala Lumpur had been lodged with the Registrar of Companies and the Capital Reduction considered completed on the same date.

On 13 April 2011, the Company announced that the Right Issue has been completed, following the admission of 49,526,250 Warrants to the Official Listing of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing and quotation of the aforesaid securities on the Main Market of Bursa Securities.

(iv) On 14 December 2010, the Company received a letter dated 26 November 2010 from the Companies Commission of Malaysia pertaining to the strike off of the following associated and subsidiary companies pursuant to Section 308 of the Companies Act, 1965:

(a) Palstore Sdn Bhd, a dormant 49% – associated company;

(b) ABRIC Quantum Sdn Bhd, a dormant 60% – owned subsidiary company; and

(c) ABRIC Management Services Sdn Bhd ("AMS"), a wholly-owned subsidiary company.

Consequent thereto, the abovementioned associated and subsidiary companies, together with Manz Facade Sdn Bhd, a dormant 51% owned subsidiary company of AMS have not been consolidated into the Group.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group	The Company
	RM	RM
Profit/(Loss) before tax from continuing operations	6,427,289	(10,454,820)
(Loss) before tax from discontinued operations	(412,246)	-
Profit/(Loss) before tax	6,015,043	(10,454,820)
Income tax credit	54,095	-
Profit/(Loss) for the year	6,069,138	(10,454,820)
Attributable to:		
Owners of the Company	6,008,022	
Non-controlling interests	61,116	
	6,069,138	

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the write-off of amount owing by a subsidiary company as disclosed in Note 10 to the Financial Statements.

DIVIDENDS

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

The directors also do not recommend any dividend payment in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the Financial Statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

The Executives' Share Option Scheme ("ESOS") for eligible executives and executive directors of the Group, which was effective on 15 May 2002, expired on 14 May 2007. In accordance with Bye-Law 4.1 of the ESOS Bye-Laws and upon recommendation by the Option Committee, the Board of Directors has approved the extension of the ESOS for another five years to 14 May 2012.

The salient features of the ESOS are as follows:

(a) the total number of shares which may be made available shall not exceed 10% of the issued and paid-up share capital of the Company at the time of offer of the ESOS;

(b) the ESOS shall be in force for a duration of five years;

(c) all executives (including Executive Directors) who are confirmed full-time employees of a company within the Group (other than a company which is dormant) are eligible;

(d) any allocation of options under the ESOS to an Executive Director of the Company shall require prior approval from the shareholders of the Company at a general meeting;

(e) no option shall be granted for less than 1,000 shares or for more than the maximum allowable allotment as follows:

    (i) the number of options allocated, in aggregate, to the directors and senior management of the Group shall not exceed 50% of the total options available under the ESOS; and

    (ii) the number of options allocated to any individual director or executive who, either singly or collectively through his/her associates (as defined in the Companies Act, 1965), holds 20% or more in the issued and paid-up share capital of the Company shall not exceed 10% of the total options available under the ESOS;

(f) the option price shall be at a discount of not more than 10% from the weighted average market price of the Company as shown in the Daily Official List issued by Bursa Malaysia Securities Berhad for the five market days immediately preceding the date of offer or at par value of the ordinary shares of the Company, whichever is higher; and

(g) the Option Committee may at any time and from time to time, before and/or after an option is granted, limit the exercise of the number and/or percentage of the option offered during the duration of the ESOS and impose any other terms and/or conditions deemed appropriate by the Option Committee in its sole discretion including amending or varying any terms and conditions imposed earlier.

At an Extraordinary General Meeting held on 16 December 2010, the Company obtained approval from its shareholders on the termination of the ESOS. The movement in the number of options granted pursuant to the ESOS during the financial year is as follows:

	Number of Options
As of 1.1.2010	1,670,000
Lapsed due to termination	(1,670,000)
As of 31.12.2010	-

At the same extraordinary general meeting, the Company obtained approval from its shareholders on the establishment of new ESOS ("New ESOS") for eligible employees and directors (including non-executive directors) of the Group ("Eligible Persons"), which is effective on 4 March 2011 and will expire on 3 March 2016. The New ESOS is administered by the ESOS Committee and governed by the New ESOS Bylaws.

The salient features of the New ESOS are as follows:

(a) at any point of time during the existence of the New ESOS, the aggregate number of new shares comprised in:

(i) Options exercised by all the Grantees;

(ii) Options remaining exercisable by all the Grantees;

(iii) Unexpired offers of Options pending acceptance by all the Eligible Persons;

(hereinafter referred to as "the Aggregate") shall not exceed an amount equivalent to fifteen percent (15%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at such time;

(b) the New ESOS shall be in force for a duration of five years;

(c) the eligibility for participation in the New ESOS shall be at the discretion of the ESOS Committee;

(d) the ESOS Committee shall be entitled in its discretion to determine the number of new shares to be comprised in an offer of Options made to an Eligible Person, and shall take into consideration, amongst other factors, the Eligible Person length of service, seniority and individual performance in the Group;

(e) no option shall be granted for less than 100 shares and always be in multiples of 100 shares and subject to the following:

    (i) the number of options allocated, in aggregate, to the directors (including non-executive directors) and senior management of the Group shall not exceed 50% of the total options available under the New ESOS; and

    (ii) the number of options allocated to any individual director or executive who, either singly or collectively through his/her associates (as defined in the Companies Act, 1965), holds 20% or more in the issued and paid-up share capital of the Company shall not exceed 10% of the total options available under the New ESOS;

(f) the Option price shall be based on the higher of the following:

    (i) the 5-day VWAP of the Company's shares immediately preceding the date of the Options is offered, with a discount that does not exceed 10% on the said 5-day VWAP or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the period of the New ESOS; and

    (ii) the par value of the Company's shares of RM0.30 each.

(g) the new shares to be issued and allotted upon any exercise of the Options shall, upon issuance, allotment, and full payment, rank pari passu in all respect with the Company's shares except they shall not be entitled to any dividends, rights, allotments and/or other distributions declared, the entitlement date of which is prior to the date of allotments of the new shares.

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

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

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen and render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

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, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, 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 operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Dato' Ong Eng Lock
Dato' Abu Bakar Bin Abdul Hamid
Soong Chee Keong
Ir. Hon Hin See
Ong Ying Hwey, Adeline
Albert Tan Tin Yau

In accordance with Article 99 of the Company's Articles of Association, Dato' Ong Eng Lock and Ir. Hon Hin See retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM1.00 each			
	As of 1.1.2010	Bought	Sold	As of 31.12.2010
Shares in the Company				
Registered in name of directors				
Dato' Ong Eng Lock	8,000,000	800,000	(5,800,000)	3,000,000
Ong Ying Hwey, Adeline	800,000	1,700,000	-	2,500,000
Deemed interest				
Dato' Ong Eng Lock	26,263,600	4,100,000	-	30,363,600 *^&@

	Number of warrants over ordinary shares of RM1.00 each				
	As of 1.1.2010	Bought	Sold	Lapsed	As of 31.12.2010
Deemed interest					
Dato' Ong Eng Lock	51,665*	-	-	(51,665)	-

* *Held through ABRIC Capital Sdn. Bhd.*

^ *Includes 1,000,000 ordinary shares of RM1.00 each in the Company treated as interest of the director by virtue of direct shareholdings of his child, Mr. Ong Zhong Hwey, Brian who is not himself a director in the Company pursuant to Section 134(12)(c) of the Companies (Amendment) Act, 2007.*

& *Includes 1,000,000 ordinary shares of RM1.00 each in the Company treated as interest of the director by virtue of direct shareholdings of his child, Ms. Ong Xing Hwey, Caroline who is not herself a director in the Company pursuant to Section 134(12)(c) of the Companies (Amendment) Act, 2007.*

@ *Includes 3,000,000 ordinary shares of RM1.00 each in the Company treated as interest of the director by virtue of direct shareholdings of his spouse, Datin Tai Mee Yong who is not herself a director in the Company pursuant to Section 134(12)(c) of the Companies (Amendment) Act, 2007.*

In addition to the above, the directors are deemed to have an interest in the shares of the Company to the extent of options granted to them pursuant to the ESOS as follows:

	Number of options over ordinary shares of RM1.00 each				
	As of 1.1.2010	**Granted**	**Exercised**	**Lapsed**	**As of 31.12.2010**
Share options in the Company					
Registered in name of a director					
Dato' Ong Eng Lock	500,000	-	-	(500,000)	-

By virtue of the above directors' interests in the shares of the Company, they are deemed to have an interest in the shares of all the subsidiary companies to the extent the Company has an interest.

Other than as disclosed above, the other directors do not have any other interest in the shares of the Company and of its related companies during and at the end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the financial statements or the fixed salary of full-time employees of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Deloitte & Touche, have indicated their willingness to continue in office.

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

DATO' ONG ENG LOCK, DIMP, JP

ONG YING HWEY, ADELINE

Kuala Lumpur,
26 April 2011

INDEPENDENT AUDITORS' REPORT
to the Members of ABRIC BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of ABRIC BERHAD, which comprise the statements of financial position of the Group and of the Company as of 31 December 2010 and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 129.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion to you, 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 towards any other person for the contents of this report.

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) we have considered the accounts and auditors' report of the subsidiary companies, of which we have not acted as auditors, as mentioned in Note 17 to the Financial Statements, being accounts that have been included in the financial statements of the Group;

(c) we are satisfied that the accounts of the subsidiary companies 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 financial statements of the Group, and we have received satisfactory information and explanations as required by us for these purposes; and

(d) the auditors' report on the accounts of the subsidiary companies were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 37 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

DELOITTE & TOUCHE
AF 0834
Chartered Accountants

YEE YOON CHONG
Partner – 1829/07/11 (J)
Chartered Accountant

Petaling Jaya
26 April 2011

INCOME STATEMENTS
for the Year Ended 31 December 2010

		The Group		The Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
Continuing operations					
Revenue	5	66,513,915	53,858,475	49,335	-
Investment income	7	913,105	1,222,297	-	-
Other operating income		1,926,041	1,465,276	540,923	17,188,295
Raw materials and consumables used		(31,708,204)	(23,549,207)	-	-
Net changes in inventories of finished goods and work-in-progress		4,144,870	(964,067)	-	-
Staff costs	10	(12,784,465)	(10,902,812)	(19,397)	(54,914)
Depreciation of property, plant and equipment	15	(6,380,936)	(6,147,082)	(2,463)	(2,236)
Directors' remuneration	8	(1,909,100)	(1,234,122)	(36,000)	(40,000)
Loss on fair value adjustment of investment property held for sale	16	-	(4,200,000)	-	-
Other operating expenses		(11,393,366)	(9,854,839)	(10,532,399)	(15,397,176)
Finance costs	9	(2,894,571)	(3,321,426)	(454,819)	(522,625)
Profit/(Loss) before tax	10	6,427,289	(3,627,507)	(10,454,820)	1,171,344
Income tax credit/(expense)	11	54,095	(12,081)	-	-
Profit/(Loss) for the year from continuing operations		6,481,384	(3,639,588)	(10,454,820)	1,171,344
Discontinued operations					
Loss for the year from discontinued operations	12	(412,246)	(535,984)	-	-
Profit/(Loss) for the year		6,069,138	(4,175,572)	(10,454,820)	1,171,344

	Note	The Group 2010 RM	2009 RM
Attributable to:			
Owners of the Company		6,008,022	(4,172,725)
Non-controlling interests		61,116	(2,847)
		6,069,138	(4,175,572)
Earnings/(Loss) per ordinary share attributable to owners of the Company (sen)			
Basic	14		
Continuing operations		6.48	(3.67)
Discontinued operations		(0.42)	(0.54)
Total		6.06	(4.21)
Diluted	14		
Continuing operations		N/A	(3.67)
Discontinued operations		N/A	(0.54)
Total		N/A	(4.21)

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME
for the Year Ended 31 December 2010

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Profit/(Loss) for the year	6,069,138	(4,175,572)	(10,454,820)	1,171,344
Other comprehensive income/ (loss)				
Exchange differences on translating foreign operations	(4,100,820)	1,019,712	-	-
Total comprehensive income/ (loss) for the year, net of tax	1,968,318	(3,155,860)	(10,454,820)	1,171,344
Total comprehensive income attributable to:				
Owners of the Company	1,940,272	(3,410,053)		
Non-controlling interests	28,046	254,193		
	1,968,318	(3,155,860)		

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF FINANCIAL POSITION
As of 31 December 2010

		The Group		The Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	15	47,520,747	49,521,402	6,531	8,994
Investment properties	16	-	125,000	-	-
Investment in subsidiary companies	17	-	-	42,157,785	42,158,385
Investment in associated company	18	-	-	-	-
Available for sale investments	19	-	-	-	-
Goodwill on consolidation	20	9,928,610	9,928,610	-	-
Deferred tax assets	21	1,143,860	1,082,009	-	-
Total Non-Current Assets		58,593,217	60,657,021	42,164,316	42,167,379
Current Assets					
Inventories	22	17,648,282	12,472,777	-	-
Receivables	23	17,310,219	14,142,793	5,930,540	18,366,445
Cash and bank balances	24	3,267,789	6,493,577	47,218	41,586
		38,226,290	33,109,147	5,977,758	18,408,031
Assets classified as held for sale	13	-	20,921,980	-	-
Total Current Assets		38,226,290	54,031,127	5,977,758	18,408,031
Total Assets		96,819,507	114,688,148	48,142,074	60,575,410

	Note	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	25	99,052,500	99,052,500	99,052,500	99,052,500
Reserves	26	(59,942,593)	(62,028,532)	(64,588,480)	(54,133,660)
Equity attributable to the owners of the Company		39,109,907	37,023,968	34,464,020	44,918,840
Non-controlling interests		7,941,074	7,990,215	-	-
Total Equity		47,050,981	45,014,183	34,464,020	44,918,840
Non-Current Liabilities					
Hire-purchase payables					
- non-current portion	27	1,729,109	524,456	-	-
Long-term borrowings					
- non-current portion	28	1,513,312	6,751,883	-	-
Total Non-Current Liabilities		3,242,421	7,276,339	-	-
Current Liabilities					
Payables	29	13,714,651	10,485,640	7,502,559	7,313,672
Borrowings	30	32,811,454	40,094,576	6,175,495	8,342,898
		46,526,105	50,580,216	13,678,054	15,656,570
Liabilities directly associated with assets classified as held for sale	13	-	11,817,410	-	-
Total Current Liabilities		46,526,105	62,397,626	13,678,054	15,656,570
Total Liabilities		49,768,526	69,673,965	13,678,054	15,656,570
Total Equity and Liabilities		96,819,507	114,688,148	48,142,074	60,575,410

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
for the Year Ended 31 December 2010

The Group	Share capital	Share premium	Translation adjustment account	Capital reserve	Other reserve	Accumulated losses	Attributable to owners of the Company	Non-controlling interests	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
As of 1 January 2009	99,052,500	21,843,480	(1,017,982)	2,010,982	178,866	(81,633,825)	40,434,021	7,769,146	48,203,167
Loss for the year	-	-	-	-	-	(4,172,725)	(4,172,725)	(2,847)	(4,175,572)
Other comprehensive income	-	-	762,672	-	-	-	762,672	257,040	1,019,712
Total comprehensive income/ (loss) for the year, net of tax	-	-	762,672	-	-	(4,172,725)	(3,410,053)	254,193	(3,155,860)
Purchase of shares from minority interest	-	-	-	-	-	-	-	(33,124)	(33,124)
As of 31 December 2009	99,052,500	21,843,480	(255,310)	2,010,982	178,866	(85,806,550)	37,023,968	7,990,215	45,014,183
As of 1 January 2010									
As previously reported	99,052,500	21,843,480	(255,310)	2,010,982	178,866	(85,806,550)	37,023,968	7,990,215	45,014,183
Effect of changes in accounting policy – Adoption of FRS139 (Note 2)	-	-	-	-	-	145,667	145,667	-	145,667
As restated	99,052,500	21,843,480	(255,310)	2,010,982	178,866	(85,660,883)	37,169,635	7,990,215	45,159,850
Profit for the year	-	-	-	-	-	6,008,022	6,008,022	61,116	6,069,138
Other comprehensive loss	-	-	(4,067,750)	-	-	-	(4,067,750)	(33,070)	(4,100,820)
Total comprehensive income/ (loss) for the year, net of tax	-	-	(4,067,750)	-	-	6,008,022	1,940,272	28,046	1,968,318
Realised upon disposal of subsidiary companies	-	-	-	-	-	-	-	(77,187)	(77,187)
As of 31 December 2010	99,052,500	21,843,480	(4,323,060)	2,010,982	178,866	(79,652,861)	39,109,907	7,941,074	47,050,981

The Company	Share capital	Share premium	Accumulated losses	Total
	RM	RM	RM	RM
As of 1 January 2009	99,052,500	21,843,480	(77,148,484)	43,747,496
Total comprehensive income for the year, net of tax				
- Profit for the year	-	-	1,171,344	1,171,344
As of 31 December 2009	99,052,500	21,843,480	(75,977,140)	44,918,840
As of 1 January 2010	99,052,500	21,843,480	(75,977,140)	44,918,840
Total comprehensive loss for the year, net of tax				
- Loss for the year	-	-	(10,454,820)	(10,454,820)
As of 31 December 2010	99,052,500	21,843,480	(86,431,960)	34,464,020

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS
for the Year Ended 31 December 2010

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit/(Loss) for the year from:				
Continuing operations	6,481,384	(3,639,588)	(10,454,820)	1,171,344
Discontinued operations	(412,246)	(535,984)	-	-
Adjustments for:				
Depreciation of property, plant and equipment	6,781,349	6,621,402	2,463	2,236
Finance costs	2,894,571	3,321,426	454,819	522,625
Amortisation of debts issuance costs	145,667	-	-	-
Write-off of:				
Trade receivables	69,268	7,653	-	-
Amount owing by associated companies	6,074	-	-	-
Property, plant and equipment	558	1,751	-	-
Inventories	-	224,573	-	-
Amount owing by a subsidiary company	-	-	10,445,345	-
Investment in a subsidiary company	-	-	600	-
Allowance for doubtful debts in respect of trade receivables	118,574	-	-	-
Loss on fair value adjustment of investment property held for sale	-	4,200,000	-	-
Allowance for slow-moving inventories	-	19,666	-	-
Loss on corporate guarantee called upon by a creditor	125,000	-	-	-
Impairment loss on investment in subsidiary companies	-	-	-	15,000,000
Gain on disposal of:				
Investment in subsidiary companies (Note 17)	(503,688)	-	-	-
Property, plant and equipment	(232,604)	(254,781)	-	-
Allowance for doubtful debts no longer required in respect of:				
Trade receivables	-	(126,619)	-	-
Amount owing by subsidiary companies	-	-	-	(17,188,295)
Adjustment on non-consolidation of subsidiary companies	(158,177)	-	-	-
Income tax (credit)/expense recognised in profit or loss	(54,095)	12,081	-	-
Dividend income	-	-	(49,335)	-
Unrealised gain on foreign exchange	(47,597)	(345,575)	-	-
Interest income	(1,855)	(7,297)	-	-
Allowance for slow moving inventories no longer required	(257)	-	-	-

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Operating Profit/(Loss) Before Working Capital Changes	15,211,926	9,498,708	399,072	(492,090)
(Increase)/Decrease in:				
Inventories	(5,175,249)	1,293,781	-	-
Receivables	(3,315,767)	(3,696,524)	1,990,560	3,652,152
Increase/(Decrease) in payables, excluding hire-purchase payables, amount owing to a major shareholder and deposit received in relation to disposal of investment property	1,730,915	2,528,631	188,887	163,760
Cash Generated From Operations	8,451,825	9,624,596	2,578,519	3,323,822
Tax paid	(35,203)	(47,763)	-	-
Net Cash From Operating Activities	8,416,622	9,576,833	2,578,519	3,323,822
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Proceeds from disposal of:				
Investment property	18,720,000	-	-	-
Property, plant and equipment	1,628,227	840,606	-	-
Interest received	1,855	7,297	-	-
Deposit received in relation to disposal of investment property	-	2,080,000	-	-
Purchase of property, plant and equipment (Note)	(4,451,502)	(1,901,067)	-	(4,040)
Disposal of subsidiary companies (Note 17)	(28,017)	-	-	-
Non-consolidation of subsidiary companies (Note 17)	(68,338)	-	-	-
Increase in investment in subsidiary companies	-	-	-	(15,000)
Dividend received	-	-	49,335	-
Net Cash From/(Used In) Investing Activities	15,802,225	1,026,836	49,335	(19,040)

	Note	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
CASH FLOWS USED IN FINANCING ACTIVITIES					
(Decrease)/Increase in borrowings, excluding long-term borrowings - current portion		(7,462,396)	2,003,914	(2,167,403)	(1,097,126)
Net repayment of long-term borrowings		(16,540,852)	(2,762,344)	-	-
Finance costs paid		(2,894,571)	(3,321,426)	(454,819)	(522,625)
Payment of hire-purchase payables		(323,699)	(135,849)	-	-
Decrease in amount owing to a major shareholder		-	(1,802,877)	-	(1,802,877)
Net Cash Used In Financing Activities		(27,221,518)	(6,018,582)	(2,622,222)	(3,422,628)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,002,671)	4,585,087	5,632	(117,846)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,281,959	1,632,038	41,586	159,432
Effect of changes in exchange rates		(251,878)	64,834	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	3,027,410	6,281,959	47,218	41,586

Note:
Purchase of property, plant and equipment by the Group and by the Company during the financial year were through the following:

	The Group 2010 RM	The Group 2009 RM	The Company 2010 RM	The Company 2009 RM
Payment by cash	4,451,502	1,901,067	-	4,040
Financed by hire-purchase	1,884,719	710,020	-	-
	6,336,221	2,611,087	-	4,040

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The principal activities of the Company are investment holding and provision of administrative services.

The principal activities of the subsidiary companies are disclosed in Note 17.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year.

The Company's registered office is located at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia.

The Company's principal place of business is located at J-8-8, 2 Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur, Malaysia.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 26 April 2011.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

Adoption of new and revised Financial Reporting Standards

In the current financial year, the Group and the Company have adopted all the new and revised Standards and IC interpretations ("IC Int.") issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual periods beginning on or after 1 January 2010 as follows:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs (Revised)
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives

Improvements to FRSs issued in 2009

IC Int. 9	Reassessment of Embedded Derivatives
IC Int. 10	Interim Financial Reporting and Impairment
IC Int. 11	FRS 2 – Group and Treasury Share Transactions
IC Int. 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The adoption of these new and revised Standards and IC Interpretations did not have any effect on the financial performance, position or presentation of financials of the Group and of the Company except as follows:

FRS 7: Financial Instruments: Disclosures

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

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

FRS 8: Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively.

FRS 101: Presentation of Financial Statements (Revised)

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

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

The revised FRS 101 also requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 31).

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

FRS 139: Financial Instruments: Recognition and Measurement

The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions in FRS 139. On that date, financial assets were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial liabilities were either classified as financial liabilities at fair value through profit or loss or other financial liabilities (i.e. those financial liabilities which are not held for trading or designated as at fair value through profit or loss upon initial recognition). The accounting policies for financial assets and financial liabilities are as disclosed in Note 3.

The effects arising from the adoption of this Standard has been accounted for by adjusting respective opening balance as at 1 January 2010, as shown below and comparatives are not restated.

Statements of financial position	As of 31 December 2009 RM	Effects of FRS 139 RM	As of 1 January 2010 RM
The Group			
Equity			
Reserves – Accumulated losses	(85,806,550)	145,667	(85,660,883)
Non-Current Liabilities			
Long-term borrowings			
- non-current portion	6,751,883	(42,667)	6,709,216
Current Liabilities			
Borrowings	39,892,611	(8,000)	39,884,611
Liabilities directly associated with assets classified as held for sale	11,817,410	(95,000)	11,722,410

Amendments to FRS 117: Leases

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease. The amendments to FRS 117 require an entity with existing leases of land and buildings to reassess the classification of land as a finance lease or operating lease.

The Group has reclassified the existing leasehold land to property, plant and equipment following this reassessment. The Group has adopted the amendments to FRS 117 retrospectively. Comparative balances as at 31 December 2009 have been restated as follows:

	As previously reported	Effects of adopting Amendments to FRS 117	As restated
	RM	RM	RM
Property, plant and equipment	48,606,510	914,892	49,521,402
Prepaid lease payments	914,892	(914,892)	-

FRSs, Amendments to FRSs and IC Int. issued but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and IC Int. which were issued but not yet effective and not early adopted by the Group and the Company are as listed below:

FRS 1 First-time Adoption of Financial Reporting Standards (Revised)[1]
FRS 1 First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from Comparative FRS 7 Disclosures for First-time Adopters)[2]
FRS 1 First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemptions for first-time adopters)[2]
FRS 2 Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)[1]
FRS 2 Share-based Payment (Amendments relating to group cash-settled share-based payment transactions)[2]
FRS 3 Business Combinations (Revised)[1]
FRS 5 Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell controlling interest in a subsidiary)[1]
FRS 7 Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)[2]

FRS 124 Related Party Disclosures (Revised)[3]
FRS 127 Consolidated and Separate Financial Statements (Revised)[1]
FRS 128 Investments in Associates (Revised)[1]
FRS 132 Financial Instruments: Presentation (Amendments relating to classification of rights issue)[4]
FRS 138 Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3)[1]
FRS 139 Financial Instruments: Recognition and Measurement (Amendments relating to additional consequential amendments arising from revised FRS 3 and revised FRS 127)[1]
Improvements to FRSs 2010[2]
IC Int. 4 Determining whether an Arrangement contains a Lease[2]
IC Int. 9 Reassessment of Embedded Derivatives (Amendments relating to additional consequential amendments arising from revised FRS 3)[1]
IC Int. 12 Service Concession Arrangements[1]
IC Int. 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendments relating to prepayments of a minimum funding requirement)[7]
IC Int. 15 Agreements for the Construction of Real Estate[5]
IC Int. 16 Hedges of a Net Investment in a Foreign Operation[1]
IC Int. 17 Distributions of Non-cash Assets to Owners[1]
IC Int. 18 Transfers of Assets from Customers[6]
IC Int. 19 Extinguishing Financial Liabilities with Equity Instruments[7]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 March 2010
5 Original effective date of 1 July 2009 deferred to 1 January 2012 via amendment issued by MASB on 30 August 2010
6 Applied prospectively to transfers of assets from customers received on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 July 2011

The directors anticipate that the adoption of the above standards and interpretations, when they become effective, are not expected to be relevant or have material impact on the financial statements of the Group and of the Company in the period of initial application except for the following:

FRS 3: Business Combinations (Revised)

The revised FRS 3:

- allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority interest') either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;

- changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss;

- requires the recognition of the settlement gain or loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and

- requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit and loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

FRS 127: Consolidated and Separate Financial Statements (Revised)

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

Under FRS 127 (revised), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, FRS 127 (revised) requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when the control is lost, with the resulting gain or loss being recognised in profit or loss.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group made up to the end of the financial year. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies, more than half of the voting power of the entity.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Non-controlling interest in the net assets of consolidated subsidiary company is identified separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original business combination (see below) and the non-controlling shareholder's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of the non-controlling shareholder's interest in the subsidiary company's equity are allocated against the interests of the Group except to the extent that the non-controlling shareholder has a binding obligation and is able to make an additional investment to cover the losses.

Business Combinations

The Group adopts both the purchase and merger method of consolidation.

(a) When the purchase method is adopted, the results of subsidiary companies acquired or disposed of during the year are included in the Group's financial statements from the effective date of acquisition or to the effective date of disposal, as applicable.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

(b) Under the merger method of consolidation, acquisition of subsidiary companies which meets the criteria for merger accounting under the Companies Act, 1965 and FRS122$_{2004}$ - Business Combinations, are accounted for using merger accounting principles. When the merger method of consolidation is used, the cost of investment is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares transferred is treated as merger reserve/deficit in the Group's financial statements in accordance with the merger relief provisions under Section 60(4) of the Companies Act, 1965. The results of the subsidiary companies being merged are presented as if the merger had been effected throughout the financial year.

The financial statements of all subsidiary companies are consolidated under the purchase method except for the financial statements of e-LOCKED Asia Limited and e-LOCKED Holdings Limited, which were consolidated under the merger method. The Group has taken advantage of the exemption provided by FRS 3 - Business Combinations ("FRS 3") to apply the standard prospectively. Accordingly, business combinations entered into prior to the effective date of FRS 3 on 1 January 2006 have not been restated to comply with FRS 3, which allows only the purchase method to be used in business combinations.

Revenue Recognition

Revenue of the Company consists of dividend income received or receivable from subsidiary companies.

Revenue of the Group consists mainly of gross invoice value of sales net of discounts and returns.

Revenue in respect of sales of goods is recognised upon delivery of products and when the risks and rewards of ownership have passed.

Dividend income from subsidiary companies is recognised when the shareholder's right to receive payment is established.

Rental income from investment properties is recognised on a straight-line basis over the lease terms.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate.

Employee Benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leaves, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group and of the Company.

(ii) Post-employment benefits

The Company and certain subsidiary companies make contributions to approved provident funds and contributions are charged to profit or loss. Once the contributions have been paid, there are no further payment obligations. The approved provident funds are in accordance with local practices in which the Company and certain subsidiary companies operate and are defined contribution plans.

(iii) Equity compensation benefits

Under the Company's ESOS, share options to acquire ordinary shares of the Company are granted to eligible executives and executive directors of the Group. Details of the Company's ESOS are disclosed in Note 25. In accordance with the transitional provisions of FRS 2 - Share-based Payment ("FRS 2"), no compensation cost in respect of the Company's ESOS has been recognised in the financial statements of the Group and of the Company as there were no share options granted after 31 December 2004 and not vested as of the effective date of FRS 2 on 1 January 2006. In addition, no compensation cost has been recognised as a result of the ESOS extension for another 5 years during the current financial year as such modification did not result in any increase in the fair value of the ESOS granted.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year, calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

Deferred tax is provided for, using the "liability" method, on temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Foreign Currency Conversion

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which such entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Ringgit Malaysia using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation adjustment account. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Impairment of Assets Excluding Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Property, Plant and Equipment

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

Depreciation of property, plant and equipment, other than freehold land and capital work-in-progress, which are not depreciated, is computed on the straight-line method at the following annual rates based on the estimated useful lives of the various assets:

Freehold buildings and improvements	4%
Long-term leasehold land and building	Over the remaining lease term of 60 years
Plant and machinery	5% - 20%
Office equipment, furniture and fittings	10% - 20%
Leasehold improvements	10% - 20%
Motor vehicles	20% - 25%
Computer software and equipment	20% - 50%

The residual value, estimated useful life and depreciation method of property, plant and equipment are reviewed at the end of each reporting period and, if expectations differ from previous estimates, the changes will be accounted for as a change in an accounting estimate.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Investment Properties

Investment properties, comprising certain long-term leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are measured at fair value.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statements of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Non-Current Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Capitalisation of Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get them ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

Discontinued operations

A discontinued operation is a component of the business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit or loss and the statement of cash flows are reclassified as if the operation had been discontinued from the start of the comparative period.

Assets and liabilities are classified as held for sale if it is highly probable that the carrying value will be recovered through a sale transaction rather than through continuing use. When reclassifying assets and liabilities as held for sale, the assets and liabilities are recognised at the lower of their carrying value or fair value less selling costs. Assets held for sale are not depreciated but tested for impairment. Impairment losses on assets and liabilities held for sale are recognised in profit or loss.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread evenly over the lease term.

Property, Plant and Equipment under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to profit or loss to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Investments

Investment in unquoted shares of subsidiary companies, which is eliminated on consolidation, and investment in unquoted shares of associated company are stated in the Company's financial statements at cost less impairment losses.

Other investment in unquoted shares is stated at cost less impairment losses.

Associated Company

An associated company is a non-subsidiary company in which the Group holds as long-term investment not less than 20% of the equity voting rights and in which the Group is in a position to exercise significant influence in its management.

The Group's investment in associated company is accounted for by the equity method of accounting based on the audited financial statements of the associated company made up to the end of the financial year. Under this method of accounting, the Group's interest in the post-acquisition profit and reserves of the associated company is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated statement of financial position.

Unrealised profits and losses arising on transactions between the Group and its associated company are eliminated to the extent of the Group's equity interest in the relevant associated company except where unrealised losses provide evidence of an impairment of the asset transferred.

Goodwill on Consolidation

Goodwill on consolidation represents the excess of the cost of acquisition of subsidiary companies over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary companies at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Inventories

Inventories are stated at the lower of cost (determined on the 'first-in, first-out' basis) and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

The cost of raw materials and spare parts comprises the original cost of purchase plus the incidental cost incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and an appropriate allocation of manufacturing overheads.

In arriving at net realisable value, due allowance is made for slow-moving and obsolete items.

Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of the amount required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

At the end of each reporting period, provisions are reviewed by the directors and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Group will be required to settle the obligation.

Financial Instruments

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

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on the trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investment, 'available-for-sale' (AFS) financial assets and 'loan and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

a) Financial assets at FVTPL

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 are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

b) Held-to-maturity investments

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

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

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

c) 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 end of the reporting period which are classified as non-current.

d) Available-for-sale financial assets

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

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

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

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

Impairment of Financial Assets

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

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

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group'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) Available-for-sale financial assets

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

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

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

Financial Liabilities and Equity Instruments issued by the Group and the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net direct issue costs.

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

Financial liabilities

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.

a) Financial liabilities at fair value through profit or loss

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

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

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

b) 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 end of the reporting period.

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

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 end of the reporting period and the amount initially recognised less cumulative amortisation.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

Derivative Financial Instruments

The Group enters into derivative financial instruments such as foreign currency forward contracts to manage foreign currency exposures as a result of receipts and payments in foreign currency.

Foreign currency forward contracts are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Foreign currency forward contracts with a positive fair value are recognised as a financial asset; foreign currency forward contracts with a negative fair value are recognised as a financial liability. Foreign currency forward contracts are presented as current liabilities unless the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as follows:

<u>Impairment of Goodwill</u>

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period is RM9,928,610 (RM9,928,610 in 2009).

Allowance for Doubtful Debts

Allowance for doubtful debts is made based on the evaluation of collectability and aging analysis of accounts and on management's estimate. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers with which the Group deals were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Deferred Tax Assets

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

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence, there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

Impairment of Assets Excluding Goodwill

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets.

a) Investment in subsidiary company

In 2009, the Company recognised impairment losses amounting to RM15,000,000 in respect of its investment in subsidiary companies as the carrying value of certain investment in subsidiary companies has exceeded their net tangible assets. Management exercises its judgement in estimating the recoverable amounts of such assets.

b) Property, plant and equipment

In 2008, the Group recognised impairment losses amounting to RM14,975,485 in respect of its precision metal parts machines. The said precision metal parts business was badly affected by the economic downturn. Minimal revenue and low order book trend, intense price competition and high production costs have prompted the Group to review the viability of the business moving forward. Detailed internal and external feasibility studies were conducted and concluded during the said year.

As mentioned in Note 12, owing to the uncertainty of the market condition of this industry in the near future, the Board has decided to discontinue the precision metal parts operation in year 2008 and fully exited in year 2009.

The precision metal parts machines have been retired from active use. No further impairment need to be made to the carrying value of the machines as there were no indications that the market value of these machines has further declined.

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Continuing operations				
Sales of security seals	66,513,915	53,629,315	-	-
Sales of consumer products	-	229,160	-	-
Dividend income from a subsidiary company	-	-	49,335	-
	66,513,915	53,858,475	49,335	-

6. SEGMENT REPORTING

Business segments

For management purposes, the Group is organised into the following operating divisions:

Industry Segment	Description
Investment holding	Investment holding and provision of administrative services
Manufacturing of security seals	Manufacturing and marketing of security seals
Marketing and trading	Marketing and distribution of consumer products

The Group 2010	Investment holding division RM	Manufacturing of security seals division RM	Marketing and trading division RM	Eliminations RM	Consolidated RM
Revenue					
External sales	-	66,513,915	-	-	66,513,915
Inter-segment sales	-	50,737,343	-	(50,737,343)	-
Total revenue from continuing operations	-	117,251,258	-	(50,737,343)	66,513,915
Results					
Segment results from continuing operations	892,775	7,515,980	-	-	8,408,755
Finance costs					(2,894,571)
Investment income					913,105
Profit before tax					6,427,289
Income tax credit					54,095
Profit for the year from continuing operations					6,481,384
Loss for the year from discontinued operations					(412,246)
Profit for the year					6,069,138

The Group 2010	Investment holding division RM	Manufacturing of security seals division RM	Marketing and trading division RM	Eliminations RM	Consolidated RM
Other Information					
Capital additions for continuing operations	224,197	6,112,024	-	-	6,336,221
Capital additions for discontinued operations					-
Capital additions (Note 15)					6,336,221
Depreciation of property, plant and equipment (Note 15):					
Continuing operations	290,958	6,089,978	-	-	6,380,936
Discontinued operations (Note 12)					400,413
					6,781,349
Consolidated Statement of Financial Position					
Assets					
Segment assets from continuing operations	11,297,720	78,832,541	-	-	90,130,261
Segment assets from discontinued operations					5,290,406
Unallocated corporate assets:					
Deferred tax assets					1,143,860
Tax recoverable					254,980
					96,819,507

The Group 2010	Investment holding division RM	Manufacturing of security seals division RM	Marketing and trading division RM	Eliminations RM	Consolidated RM
Liabilities					
Segment liabilities from continuing operations	10,982,579	38,765,360	-	-	49,747,939
Segment liabilities from discontinued operations					513
Unallocated corporate liabilities:					
Tax liabilities					20,074
					49,768,526
The Group **2009**					
Revenue					
External sales	-	53,629,315	229,160	-	53,858,475
Inter-segment sales	-	36,315,095	-	(36,315,095)	-
Total revenue from continuing operations	-	89,944,410	229,160	(36,315,095)	53,858,475
Results					
Segment results from continuing operations	(4,234,415)	2,610,804	95,233	-	(1,528,378)
Finance costs					(3,321,426)
Investment income					1,222,297
Loss before tax					(3,627,507)
Income tax expense					(12,081)
Loss for the year from continuing operations					(3,639,588)
Loss for the year from discontinued operations					(535,984)
Loss for the year					(4,175,572)

The Group	Investment holding division	Manufacturing of security seals division	Marketing and trading division	Eliminations	Consolidated
2009	**RM**	**RM**	**RM**	**RM**	**RM**
Other Information					
Capital additions for continuing operations	4,040	2,607,047	-	-	2,611,087
Capital additions for discontinued operations					-
Capital additions (Note 15)					2,611,087
Depreciation of property, plant and equipment (Note 15):					
Continuing operations	287,094	5,846,205	13,783	-	6,147,082
Discontinued operations					474,320
					6,621,402
Consolidated Statement of Financial Position					
Assets					
Segment assets from continuing operations	31,862,437	73,138,110	564,132	-	105,564,679
Segment assets from discontinued operations					7,731,030
Unallocated corporate assets:					
Deferred tax assets					1,082,009
Tax recoverable					310,430
					114,688,148

The Group	Investment holding division	Manufacturing of security seals division	Marketing and trading division	Eliminations	Consolidated
2009	RM	RM	RM	RM	RM
Liabilities					
Segment liabilities from continuing operations	30,126,674	38,607,925	875,859	-	69,610,458
Segment liabilities from discontinued operations					14,879
Unallocated corporate liabilities:					
Tax liabilities					48,628
					69,673,965

Geographical segments

The Group's operations are mainly located in Asia Pacific, Europe and America.

The following is an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods and services:

	Revenue by geographical market	
	2010	2009
	RM	RM
Continuing operations		
Asia Pacific	30,818,959	24,560,368
Europe	17,140,619	15,710,939
America	18,554,337	13,587,168
	66,513,915	53,858,475

There is no one customer who contributed more than 10% of the total revenue in each segment during the financial year.

The following is an analysis of the carrying amount of segment assets and capital additions by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2010	2009	2010	2009
	RM	RM	RM	RM
Continuing operations				
Asia Pacific	76,505,141	97,094,073	6,266,923	2,597,542
Europe	7,264,193	5,366,690	29,341	6,529
America	7,759,767	4,496,355	39,957	7,016
	91,529,101	106,957,118	6,336,221	2,611,087
Discontinued operations				
Asia Pacific	5,290,406	7,731,030	-	-

7. INVESTMENT INCOME

	The Group	
	2010	2009
	RM	RM
Rental income from an investment property	911,250	1,215,000
Interest income on fixed deposits	1,855	7,297
	913,105	1,222,297

Direct operating expenses incurred by the Group in respect of an investment property that generated rental income during the year amounted to RM568,474 (RM859,030 in 2009).

At the end of each reporting period, non-cancellable operating lease receivables are as follows:

	The Group	
	2010	2009
	RM	RM
Within one year	-	810,000

As mentioned in Note 13, on 22 December 2009, the Group entered into the Sale and Purchase Agreement with a third party for the disposal of the said investment property for a cash consideration of RM20,800,000. The said disposal has been completed during the current financial year.

8. DIRECTORS' REMUNERATION

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Directors of the Company				
Executive directors:				
Salaries and other emoluments	1,244,600	632,910	-	-
Non-executive directors:				
Fees	36,000	40,000	36,000	40,000
	1,280,600	672,910	36,000	40,000
Directors of the subsidiaries				
Executive directors:				
Salaries and other emoluments	628,500	561,212	-	-
Total	1,909,100	1,234,122	36,000	40,000

Included in salaries and other emoluments of executive directors are contributions to approved provident funds by the Group amounting to RM206,754 (RM159,013 in 2009).

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group amounted to RM35,200 (RM22,700 in 2009).

9. FINANCE COSTS

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Interest expense on:				
Short-term loans	1,816,975	1,875,326	327,498	391,950
Long-term loans	890,123	1,282,363	-	-
Bank overdrafts	141,442	149,167	127,321	130,675
Hire-purchase	46,031	14,570	-	-
	2,894,571	3,321,426	454,819	522,625

10. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS

Profit/(Loss) before tax from continuing operations/loss before tax from discontinued operations is arrived at after the following credits/(charges):

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Continuing operations				
Gain on foreign exchange:				
Realised	243,405	21,187	-	-
Unrealised	47,597	345,575	-	-
Gain on disposal of:				
Investment in subsidiary companies (Note 17)	503,688	-	-	-
Property, plant and equipment	198,039	170,760	-	-

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Allowance for doubtful debts no longer required in respect of:				
Trade receivables	-	126,619	-	-
Amount owing by subsidiary companies	-	-	-	17,188,295
Adjustment on non-consolidation of subsidiary companies	158,177	-	-	-
Allowance for slow-moving inventories no longer required	257	-	-	-
Rental of:				
Premises	(482,165)	(505,219)	-	-
Office equipment	(111,008)	(123,240)	-	-
Motor vehicles	(60,975)	(102,715)	-	-
Fees paid/payable to external auditors:				
Statutory audit:				
- auditors of the Company	(158,777)	(178,361)	(60,000)	(60,000)
- other auditors of subsidiaries	(95,896)	(111,009)	-	-
- underprovision in prior years	(8,685)	(13,695)	-	-
Non-audit services:				
- auditors of the Company	(3,000)	(3,000)	(3,000)	(3,000)
Amortisation of debts issuance costs	(145,667)	-	-	-

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Loss on corporate guarantee called upon by a creditor	(125,000)	-	-	-
Write-off of:				
Trade receivables	(69,268)	(7,653)	-	-
Inventories	-	(224,573)	-	-
Amount owing by associated company	(6,074)	-	-	-
Property, plant and equipment	(558)	(1,751)	-	-
Amount owing by a subsidiary company	-	-	(10,445,345)	-
Investment in subsidiary company	-	-	(600)	-
Allowance for doubtful debts in respect of trade receivables	(118,574)	-	-	-
Allowance for slow-moving inventories	-	(19,666)	-	-
Impairment loss on investment in subsidiary companies (Note 17)	-	-	-	(15,000,000)

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Discontinued operations				
Gain on disposal of property, plant and equipment	34,565	84,021	-	-

Staff costs include salaries, bonuses, contributions to approved provident funds and all other staff related costs. Contributions to approved provident funds by the Group and the Company during the financial year are allocated as follows:

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Continuing operations	279,450	289,958	840	2,628
Discontinued operations	-	16,071	-	-
	279,450	306,029	840	2,628

Compensation of Key Management Personnel

The remuneration of key management personnel, excluding directors, during the year are as follows:

	The Group	
	2010	2009
	RM	RM
Short-term employee benefits	499,871	562,525
Defined contribution plans	58,081	51,122
	557,952	613,647

11. INCOME TAX CREDIT/(EXPENSE)

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Estimated tax payable:				
Current year:				
Malaysian	-	(2,290)	-	-
Foreign	(29,584)	(87,279)	-	-
Overprovision in prior years:				
Malaysian	-	-	-	-
Foreign	21,828	48,628	-	-
	(7,756)	(40,941)	-	-
Deferred tax (Note 21):				
Foreign	61,851	28,860	-	-
	54,095	(12,081)	-	-

A numerical reconciliation of income tax credit applicable to profit/(loss) before tax at the applicable statutory income tax rate to income tax credit at the effective income tax rate is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Profit/(Loss) before tax:				
Continuing operations	6,427,289	(3,627,507)	(10,454,820)	1,171,344
Discontinued operations	(412,246)	(535,984)	-	-
	6,015,043	(4,163,491)	(10,454,820)	1,171,344

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Tax at statutory tax rate of 25% (25% in 2009)	(1,503,761)	1,040,873	2,613,705	(292,836)
Tax effects of:				
Different tax rates in other tax jurisdictions	(56,436)	(23,974)	-	-
Income not taxable	290,000	-	-	4,297,000
Expenses not deductible for tax purposes	(79,786)	(2,679,408)	(2,613,705)	(4,004,164)
Realisation of deferred tax assets previously not recognised	1,382,250	1,601,800	-	-
Overprovision in prior years:				
Malaysian	-	-	-	-
Foreign	21,828	48,628	-	-
	54,095	(12,081)	-	-

As of 31 December 2010, the balances in the tax-exempt accounts of the Company are as follows:

	The Company	
	2010	2009
	RM	RM
Tax-exempt accounts in respect of:		
Tax-exempt dividend received pursuant to the Income Tax Act, 1967	2,649,335	2,600,000
Income tax waived in accordance with the Income Tax (Amendment) Act, 1999	7,880,301	7,880,301
	10,529,636	10,480,301

The above balances in the tax-exempt accounts, if agreed with the tax authorities, will enable the Company to distribute tax-exempt dividends up to the same amounts.

12. DISCONTINUED OPERATIONS

In 2008, the Group recognised impairment losses amounting to RM14,975,485 in respect of its precision metal parts machines. The said precision metal parts business was badly affected by the economic downturn. Minimal revenue and low order book trend, intense price competition and high production costs have prompted the Group to review the viability of the business moving forward. Detailed internal and external feasibility studies were conducted and concluded during the said year.

Owing to the uncertainty of the market condition of this industry in the near future, the Board has decided to discontinue the precision metal parts operation in year 2008 and fully exited in year 2009.

The precision metal parts machines have been retired from active use. No further impairment need to be made to the carrying value of the machines as there were no indications that the market value of these machines has further declined.

The results of the precision metal parts operation are as follows:

		The Group	
		2010	2009
	Note(s)	RM	RM
Other operating income		163,648	284,854
Staff costs	10	-	(175,748)
Depreciation of property, plant and equipment	6&15	(400,413)	(474,320)
Other operating expenses		(175,481)	(170,770)
Loss before tax	10	(412,246)	(535,984)
Income tax expense	11	-	-
Loss for the year		(412,246)	(535,984)

	The Group	
	2010	2009
	RM	RM
Cash flow from discontinued operations		
Net cash outflows from operating activities	(34,520)	(101,482)
Net cash inflows from investing activities	1,169,600	564,292
Net cash inflows	1,135,080	462,810

13. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

(a) Asset classified as held for sale consist of the following:

	The Group	
	2010	2009
	RM	RM
Investment property	-	20,800,000
Investment in Cabrict Group	-	121,980
	-	20,921,980

(b) Liabilities directly associated with assets classified as held for sale consist of the following:

	The Group	
	2010	2009
	RM	RM
Liabilities directly associated with:		
Investment property	-	11,126,725
Investment in Cabrict Group	-	690,685
	-	11,817,410

(i) Investment Property

On 22 December 2009, the Group entered into a Sale and Purchase Agreement with a third party for the disposal of leasehold land and building for a cash consideration of RM20,800,000. The said disposal is expected to be completed within a year from the date of the Sale and Purchase Agreement. Accordingly, the said leasehold land and building had been classified as an asset held for sale.

The said leasehold land and building had been charged to financial institution for a term loan facility with outstanding balance of RM11,126,725 as of 31 December 2009 granted to the Group, as disclosed in Note 28, and accordingly, the said term loan has been classified as liabilities directly associated with assets classified as held for sale.

(ii) Investment in Cabrict Group

On 11 January 2010, the Company entered into a Sale and Purchase of Shares Agreement with a third party to dispose of its entire equity interest in Cabrict Group, which consists of Cabrict Sdn. Bhd. ("CSB") and Cabrict North America Inc. ("CNA") for a total cash consideration of RM2. The equity interest of the Company in CSB is 70%, whilst CSB holds 90% equity interest in CNA.

The divestment of the Cabrict Group forms part of the Group's business streamlining strategy which focuses on the security seals business. The assets and liabilities attributable to the Cabrict Group, which will be divested within twelve months from the end of each reporting period have been classified as a disposal group held for sale and are presented separately in the statements of financial position. The operations are included in the Group's marketing and trading segment for segment reporting purposes (Note 6).

The major classes of assets and liabilities comprising the disposal of Cabrict Group classified as held for sale are as follows:

	2010	**2009**
	RM	**RM**
Property, plant and equipment (Note 15)	-	189
Inventories (Note 22)	-	28,077
Receivables (Note 23)	-	65,695
Cash and bank balances (Note 24)	-	28,019
Total assets classified as held for sale	-	121,980
Payables, and total liabilities associated with assets held for sale (Note 29)	-	(690,685)
Translation reserve	-	142,205
Net liabilities of disposal group	-	(426,500)

14. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share

Basic earnings/(loss) per ordinary share of the Group is calculated by dividing profit/(loss) for the year attributable to owners of the Company by the number of ordinary shares in issue during the financial year.

	The Group	
	2010	2009
	RM	RM
Profit/(Loss) attributable to owners of the Company:		
Profit/(Loss) from continuing operations	6,420,268	(3,636,741)
Loss from discontinued operations	(412,246)	(535,984)
	6,008,022	(4,172,725)
Number of ordinary shares	99,052,500	99,052,500
Basic earnings/(loss) per share (sen):		
Continuing operations	6.48	(3.67)
Discontinued operations	(0.42)	(0.54)
Total	6.06	(4.21)

Fully diluted

The fully diluted loss per ordinary share of the Group for 2009 was the same as the basic loss per ordinary share of the Group as the warrants and the options over unissued ordinary shares granted pursuant to the ESOS at the end of the financial year had anti-dilutive effect since the exercise price of the warrants/options was above the average market value of the Company's shares during the financial year ended 31 December 2009.

15. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

The Group	Freehold Land, Buildings and Improvements	Leasehold Building	Plant and Machinery	Office Equipment, Furniture and Fittings	Leasehold Improvements	Motor Vehicles	Computer Software and Equipment	Capital Work-In-Progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost									
As of 1 January 2009	12,325,239	8,352,994	72,831,010	2,049,407	-	1,843,905	117,467	484,780	98,004,802
Additions	-	-	1,519,857	48,232	-	750,000	-	292,998	2,611,087
Disposals	-	-	(563,160)	(34,361)	-	(1,000,095)	-	-	(1,597,616)
Write-offs	-	-	(3,831)	(8,086)	-	-	-	-	(11,917)
Classified as part of a disposal group held for sale (Note 13(b)(ii))	-	-	-	(503)	-	-	(13,702)	-	(14,205)
Translation adjustment	316,349	-	762,050	49,885	-	23,354	(158)	-	1,151,480
As of 31 December 2009/ 1 January 2010	12,641,588	8,352,994	74,545,926	2,104,574	-	1,617,164	103,607	777,778	100,143,631
Additions	-	-	5,157,790	226,545	237,513	377,694	28,670	308,009	6,336,221
Disposals	-	-	(2,252,133)	-	-	(469,973)	-	-	(2,722,106)
Write-offs	-	-	-	(712)	-	-	-	-	(712)
Translation adjustment	(59,033)	-	(160,862)	(55,110)	-	(15,756)	4,000	(16,686)	(303,447)
As of 31 December 2010	12,582,555	8,352,994	77,290,721	2,275,297	237,513	1,509,129	136,277	1,069,101	103,453,587

The Group	Freehold Land, Buildings and Improvements RM	Leasehold Building RM	Plant and Machinery RM	Office Equipment, Furniture and Fittings RM	Leasehold Improvements RM	Motor Vehicles RM	Computer Software and Equipment RM	Capital Work-In-Progress RM	Total RM
Accumulated depreciation									
As of 1 January 2009	2,103,855	844,716	23,957,671	1,171,826	-	1,348,326	84,707	-	29,511,101
Charge for the year	519,139	179,972	5,563,954	153,056	-	179,379	25,902	-	6,621,402
Disposals	-	-	(82,889)	(23,917)	-	(904,985)	-	-	(1,011,791)
Write-offs	-	-	(3,831)	(6,335)	-	-	-	-	(10,166)
Classified as part of a disposal group held for sale (Note 13(b)(ii))	-	-	-	(327)	-	-	(13,689)	-	(14,016)
Translation adjustment	66,702	-	426,036	41,201	-	16,433	(158)	-	550,214
As of 31 December 2009/ 1 January 2010	2,689,696	1,024,688	29,860,941	1,335,504	-	639,153	96,762	-	35,646,744
Charge for the year	484,010	179,972	5,602,295	209,360	4,082	294,030	7,600	-	6,781,349
Disposals	-	-	(894,086)	-	-	(432,397)	-	-	(1,326,483)
Write-offs	-	-	-	(154)	-	-	-	-	(154)
Translation adjustment	(20,507)	-	(75,699)	(37,382)	-	(12,083)	1,570	-	(144,101)
As of 31 December 2010	3,153,199	1,204,660	34,493,451	1,507,328	4,082	488,703	105,932	-	40,957,355
Accumulated impairment loss									
As of 1 January 2009/31 December 2009/1 January 2010 and 31 December 2010	-	-	14,975,485	-	-	-	-	-	14,975,485
Net book value									
As of 31 December 2010	9,429,356	7,148,334	27,821,785	767,969	233,431	1,020,426	30,345	1,069,101	47,520,747
As of 31 December 2009	9,951,892	7,328,306	29,709,500	769,070	-	978,011	6,845	777,778	49,521,402

The Company	Office Equipment, Furniture and Fittings
	RM
Cost	
As of 1 January 2009	18,324
Additions	4,040
As of 31 December 2009/1 January 2010/31 December 2010	22,364
Accumulated depreciation	
As of 1 January 2009	11,134
Charge for the year	2,236
As of 31 December 2009/ 1 January 2010	13,370
Charge for the year	2,463
As of 31 December 2010	15,833
Net book value	
As of 31 December 2010	6,531
As of 31 December 2009	8,994

(i) Included in property, plant and equipment of the Group are assets acquired under hire-purchase arrangements with cost of RM1,287,385 (RM1,607,238 in 2009) and accumulated depreciation of RM366,940 (RM538,810 in 2009).

(ii) As of 31 December 2010, property, plant and equipment of the Group with net book value amounting to RM26,262,486 (RM32,900,305 in 2009) have been charged as securities to financial institutions for financing obtained as disclosed in Notes 28 and 30.

(iii) Included in property, plant and equipment of the Group are fully depreciated assets with cost of RM5,685,970 (RM4,884,358 in 2009) which are still in use.

(iv) Included in property, plant and equipment of the Group are assets with net book value amounting to RM5,290,406 (RM7,731,030 in 2009) which have been retired from active use in the current financial year.

(v) As of 31 December 2010, a motor vehicle with net book value amounting to RM600,000 (RM750,000 in 2009) is registered in the name of a director and a major shareholder of the Company, who holds the said asset in trust for the Group.

(vi) Depreciation charge for the year is allocated as follows:

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Continuing operations	6,380,936	6,147,082	2,463	2,236
Discontinued operations (Note 12)	400,413	474,320	-	-
	6,781,349	6,621,402	2,463	2,236

16. INVESTMENT PROPERTIES

	The Group	
	2010	2009
	RM	RM
At fair value:		
At beginning of year	125,000	25,125,000
Loss on fair value adjustment	-	(4,200,000)
	125,000	20,925,000
Liquidated during the year	(125,000)	-
Transfer to assets classified as held for sale (Note 13(b)(i))	-	(20,800,000)
At end of year	-	125,000

The fair value of the investment properties in 2009 was estimated by the Directors based on recent prices of similar properties in the same location.

During the financial year, the Group's investment property was used for settlement of a corporate guarantee called upon by a creditor.

17. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2010	2009
	RM	RM
Unquoted shares - at cost	83,607,785	84,408,385
Impairment loss	(41,450,000)	(42,250,000)
	42,157,785	42,158,385

On 11 January 2010, the Company entered into a Sale and Purchase of Shares Agreement with a third party to dispose of its entire equity interest in Cabrict Group, which consists of Cabrict Sdn Bhd ("CSB") and Cabrict North America Inc. ("CNA") for a total cash consideration of RM2. The equity interest of the Company in CSB was 70%, whilst CSB holds 90% equity interest in CNA.

The effects of the said disposal on the statement of financial position of the Group were as follows:

	The Group Unaudited
	RM
Property, plant and equipment	189
Inventories	28,077
Receivables	65,695
Cash and bank balances	28,019
Payables	(690,685)
Translation reserve	142,205
	(426,500)
Less: Non-controlling interest	(77,186)
	(503,686)
Add: Gain on disposal of the Group	503,688
Less: Cash and bank balances	(28,019)
	(28,017)

(v) On 3 August 2010, the Company announced that e-Locked Asia Limited ("e-Locked"), a dormant 72.4% owned subsidiary company of ABRIC Worldwide Sdn Bhd ("AWSB"), which in turn is a wholly-owned subsidiary company of the Company, had received notification from the Companies Registry, Hong Kong that e-Locked had been deregistered with effect from 9 July 2010. e-Locked was accordingly dissolved from the date of the publication of the gazette dated 9 July 2010. Consequent thereto, e-Locked together with its subsidiary companies, Lockseals International Limited, e-Locked Inc. and e-Locked Holdings Limited (collectively referred to as "e-Locked Group") have not been consolidated from the Group.

On 14 December 2010, the Company received a letter dated 26 November 2010 from the Companies Commission of Malaysia pertaining to the strike-off of the following associated and subsidiary companies pursuant to Section 308 of the Companies Act, 1965:

(a) Palstore Sdn Bhd, a 49% - associated company;

(b) ABRIC Quantum Sdn Bhd, a dormant 60% - owned subsidiary company; and

(c) ABRIC Management Services Sdn Bhd ("AMS"), a wholly-owned subsidiary company.

Consequent thereto, the abovementioned associated and subsidiary companies, together with Manz Facade Sdn Bhd, a dormant 51%-owned subsidiary company of AMS have ceased to be subsidiaries of the Company.

The effects of the non-consolidation of e-Locked Group and the struck-off subsidiary companies on the statement of financial position of the Group are as follows:

	The Group Unaudited
	RM
Net liabilities not-consolidated:	
Cash and bank balances	68,338
Payables	(107,079)
Translation reserve	(297,182)
Merger deficit	177,746
Net liabilities	(158,177)
Adjustment on non-consolidation of subsidiary companies	158,177
Less: Cash and bank balances	(68,338)
	(68,338)

The subsidiary companies, all incorporated in Malaysia except as otherwise indicated, are as follows:

Name of Company	Effective Equity Interest 2010 %	Effective Equity Interest 2009 %	Principal Activities
Direct Subsidiary Companies			
ABRIC Worldwide Sdn. Bhd. @	100.0	100.0	Investment holding and marketing of security seals
ABRIC One Sdn Bhd @	100.0	100.0	Marketing of security seals
Abric International Sdn. Bhd.	100.0	100.0	Manufacturing and distribution of security seals
ABRIC Shanghai Ltd. * (Incorporated in the People's Republic of China)	100.0	100.0	Manufacturing and marketing of security seals
ABRIC Commerce (China) Co. Ltd. * (Incorporated in the People's Republic of China)	100.0	100.0	Trading of security seals
ABRIC Properties Sdn. Bhd.	100.0	100.0	Property investment holding
Cabrict Energy Sdn. Bhd. +	100.0	100.0	Investment holding
ABRIC International Ltd. (Incorporated in Labuan, Malaysia)	100.0	100.0	Dormant
Cabrict Sdn. Bhd.	-	70.0	Investment holding and provision of software development and systems integration services
ABRIC Management Services Sdn. Bhd.	-	100.0	Dormant
ABRIC Quantum Sdn. Bhd.	-	60.0	Dormant

Name of Company	Effective Equity Interest 2010 %	2009 %	Principal Activities
Indirect Subsidiary Companies			
ABRIC (Europe) Limited * (Incorporated in the United Kingdom)	100.0	100.0	Marketing of security seals
ABRIC North America, Inc. (Incorporated in the United States of America) @	100.0	100.0	Marketing of security seals
ABRIC (Hong Kong) Ltd. * (Incorporated in Hong Kong)	100.0	100.0	Marketing of security seals
ABRIC Eastern International Ltd.* (Incorporated in Thailand)	60.0	60.0	Manufacturing and marketing of security seals
Manz Facade Engineering Sdn. Bhd.	-	51.0	Dormant
Lockseals International Limited (Incorporated in the British Virgin Islands)	-	75.0	Dormant
e-LOCKED Inc. (Incorporated in the Cayman Islands)	-	72.4	Dormant
e-LOCKED Asia Limited (Incorporated in Hong Kong)	-	72.4	Dormant
e-LOCKED Holdings Limited (Incorporated in the British Virgin Islands)	-	72.4	Dormant
Cabrict North America, Inc (Incorporated in the United States of America)	-	63.0	Provision of customer relationship management (CRM) software and services

* The financial statements of these companies are examined by auditors other than the auditors of the Company.

\+ Consolidated using unaudited financial statements as no audited financial statements are presently available.

@ The auditors' reports on the financial statements of these subsidiary companies include an emphasis of matter regarding the ability of these subsidiary companies to continue as a going-concern in view of their capital deficiency positions as at the end of the financial year. The financial statements of these subsidiary companies have been prepared on a going-concern basis as the Company has undertaken to provide continued financial support to these subsidiary companies.

18. INVESTMENT IN ASSOCIATED COMPANY

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Unquoted shares - at cost	-	110,249	-	110,249
Share of post-acquisition accumulated loss	-	(110,249)	-	-
	-	-	-	110,249
Impairment loss	-	-	-	(110,249)
	-	-	-	-

As mentioned in Note 17, Palstore Sdn Bhd has been struck-off pursuant to Section 308 of the Companies Act, 1965.

Analysis of the Group's carrying value of investment in associated company was as follows:

	The Group	
	2010	2009
	RM	RM
Group's share of net liabilities	-	(4,617)
Premium on acquisition	-	4,617
	-	-

The associated company of the Group, which was incorporated in Malaysia, is as follows:

Name of Company	Effective Equity Interest		Principal Activities
	2010	2009	
	%	%	
Palstore Sdn. Bhd.	-	49.0	Dormant

The summarised financial information of the associated company was as follows:

	2010	2009
	RM	RM
Revenue	-	-
Expenses	-	(2,108)
Current assets	-	-
Non-current assets	-	-
Current liabilities	-	(1,479,988)
Non-current liabilities	-	-
Net liabilities	-	(1,479,988)

19. AVAILABLE FOR SALE INVESTMENTS

	The Group and The Company	
	2010	2009
	RM	RM
At cost:		
Investment in unquoted shares	18,000,000	18,000,000
Impairment loss	(18,000,000)	(18,000,000)
	-	-

20. GOODWILL ON CONSOLIDATION

	The Group	
	2010	2009
	RM	RM
Cost		
At beginning and end of year	10,078,050	10,078,050
Accumulated impairment loss		
At beginning and end of year	149,440	149,440
Carrying amount	9,928,610	9,928,610

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to the following business segments as independent CGUs:

	The Group	
	2010	2009
	RM	RM
Security seals division	9,926,430	9,926,430
Precision metal parts division	149,440	149,440
Technology division	2,180	2,180
	10,078,050	10,078,050

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates and changes in selling prices and direct costs are based on expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows for the following three years based on estimated growth rates ranging from 10% to 30% (10% to 30% in 2009).

21. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group	
	2010	2009
	RM	RM
At beginning of year	1,082,009	1,053,149
Transfer to profit or loss (Note 11):		
Inventories	65,785	(651)
Unused tax losses	(3,934)	29,511
	61,851	28,860
At end of year	1,143,860	1,082,009

The deferred tax assets/(liabilities) provided in the financial statements are in respect of the tax effects of the following:

	The Group	
	2010	2009
	RM	RM
Deferred tax assets (before offsetting)		
Temporary differences arising from inventories	233,639	167,854
Unused tax losses	1,599,221	1,210,155
	1,832,860	1,378,009
Offsetting	(689,000)	(296,000)
Deferred tax assets (after offsetting)	1,143,860	1,082,009
Deferred tax liabilities (before offsetting)		
Temporary differences arising from property, plant and equipment	(689,000)	(296,000)
Offsetting	689,000	296,000
Deferred tax liabilities (after offsetting)	-	-

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 31 December 2010, the estimated amount of deductible temporary differences, unused tax losses and unused tax credits, for which the tax effects are not recognised in the financial statements due to uncertainty of their realisation, is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Unused tax losses	1,778,000	6,580,000	961,000	944,000
Unabsorbed capital allowances	21,593,000	22,320,000	1,177,000	1,224,000
	23,371,000	28,900,000	2,138,000	2,168,000

The unused tax losses and unabsorbed capital allowances, which are subject to the agreement by the tax authorities, are available for offset against future chargeable income.

22. INVENTORIES

	The Group	
	2010	2009
	RM	RM
Finished goods	9,111,843	5,279,697
Raw materials	4,362,223	4,049,499
Work-in-progress	2,949,131	1,662,173
Others	1,111,062	1,554,368
Spare parts	191,569	32,920
	17,725,828	12,578,657
Allowance for slow-moving inventories	(77,546)	(77,803)
	17,648,282	12,500,854
Classified as part of disposal group held for sale (Note 13(b)(i))	-	(28,077)
	17,648,282	12,472,777

23. RECEIVABLES

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Trade receivables	15,176,389	13,620,493	-	-
Allowance for doubtful debts	(599,636)	(698,993)	-	-
	14,576,753	12,921,500	-	-
Other receivables	1,199,908	325,493	455,295	19,293
Allowance for doubtful debts	(31,020)	(31,020)	(19,293)	(19,293)
	1,168,888	294,473	436,002	-
Refundable deposits	467,776	459,264	103,085	103,084
Prepaid expenses	841,822	216,747	-	-
Tax recoverable	254,980	310,430	254,980	254,980
Amount owing by associated company	-	23,426	-	-
Allowance for doubtful debts	-	(17,352)	-	-
	-	6,074		-
Amount owing by subsidiary companies	-	-	5,153,195	19,521,795
Allowance for doubtful debts	-	-	(16,722)	(1,513,414)
	-	-	5,136,473	18,008,381
	17,310,219	14,208,488	5,930,540	18,366,445
Classified as part of a disposal group held for sale (Note 13(b)(ii))	-	(65,695)	-	-
	17,310,219	14,142,793	5,930,540	18,366,445

(i) Trade receivables are classified as loans and receivables and therefore measured at amortised cost. Trade receivables of the Group represent amounts receivable for the sales of goods and provision of services. The credit period granted to customers ranges from 30 to 90 days (30 to 90 days in 2009).

Ageing analysis of trade receivables

	The Group 2010 RM
Neither past due nor impaired	3,621,427
1 to 30 days past due but not impaired	6,632,528
31 to 60 days past due but not impaired	1,340,542
61 to 90 days past due but not impaired	1,052,202
91 to 120 days past due but not impaired	1,930,054
	14,576,753
Impaired	599,636
	15,176,389

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

Trade receivables that were past due but not impaired relate to customers that have good track record with the Group. Based on past experience and no adverse information to date, the Group is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still fully recoverable.

Movement in the allowance for doubtful debts

	The Group 2010 RM
Balance at beginning of the year	698,993
Additional allowance for doubtful debts	118,574
Amounts written off during the year as uncollectible	(217,931)
Balance at end of year	599,636

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Ageing of impaired trade receivables

	The Group 2010 RM
More than 121 days past due	599,636

(ii) Amounts owing by/to subsidiary companies, which arose mainly from assignment of debts in prior years, short-term advances and payments on behalf, are interest-free and repayable on demand.

Movement in the allowance for doubtful debts

	The Company 2010 RM
Balance at beginning of the year	1,513,414
Amounts written off during the year as uncollectible	(1,496,692)
Balance at end of year	16,722

(iii) Amount owing by associated company in 2009, which arose mainly from expenses paid on behalf, was interest-free and repayable on demand.

24. CASH AND BANK BALANCES

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Deposits with licensed banks	240,379	239,637	-	-
Cash on hand and at banks	3,027,410	6,281,959	47,218	41,586
	3,267,789	6,521,596	47,218	41,586
Classified as part of a disposal group held for sale (Note 13(b)(ii))	-	(28,019)	-	-
	3,267,789	6,493,577	47,218	41,586

Deposits with licensed banks of the Group have been pledged with financial institutions as collateral for the utilisation of credit facilities by a subsidiary company as mentioned in Note 30.

Deposits with licensed banks of the Group earn interest at rates ranging from 1.00% to 1.20 % (2.68% to 3.00% in 2009) per annum with maturity period of 12 months (12 months in 2009).

25. SHARE CAPITAL

Share capital is represented by:

	The Group and The Company	
	2010	2009
	RM	RM
Authorised:		
500,000,000 ordinary shares of RM1.00 each	500,000,000	500,000,000
Issued and fully paid:		
99,052,500 ordinary shares of RM1.00 each	99,052,500	99,052,500

Share Options

The Executives' Share Option Scheme ("ESOS") for eligible executives and executive directors of the Group, which was effective on 15 May 2002 expired on 14 May 2007. In accordance with Bye-Law 4.1 of the ESOS Bye-Laws and upon recommendation by the Option Committee, the Board of Directors has approved the extension of the ESOS for another five years to 14 May 2012.

The salient features of the ESOS are as follows:

(a) the total number of shares which may be made available shall not exceed 10% of the issued and paid-up share capital of the Company at the time of offer of the ESOS.

(b) the ESOS shall be in force for a duration of five years.

(c) all executives (including Executive Directors) who are confirmed full-time employees of a company within the Group (other than a company which is dormant) are eligible.

(d) any allocation of options under the ESOS to an Executive Director of the Company shall require prior approval from the shareholders of the Company at a general meeting.

(e) no option shall be granted for less than 1,000 shares or for more than the maximum allowable allotment as follows:

    (i) the number of options allocated, in aggregate, to the directors and senior management of the Group shall not exceed 50% of the total options available under the ESOS; and

    (ii) the number of options allocated to any individual director or executive who, either singly or collectively through his/her associates (as defined in the Companies Act, 1965), holds 20% or more in the issued and paid-up share capital of the Company shall not exceed 10% of the total options available under the ESOS.

(f) the option price shall be at a discount of not more than 10% from the weighted average market price of the Company as shown in the Daily Official List issued by Bursa Malaysia Securities Berhad ("BMSB") for the five market days immediately preceding the date of offer or at par value of the ordinary shares of the Company, whichever is higher.

(g) the Option Committee may at any time and from time to time, before and/or after an option is granted, limit the exercise of the number and/or percentage of the option offered during the duration of the ESOS and impose any other terms and/or conditions deemed appropriate by the Option Committee in its sole discretion including amending or varying any terms and conditions imposed earlier.

At an Extraordinary General Meeting held on 16 December 2010, the Company obtained approval from its shareholders on the termination of the ESOS. The movement in the number of options granted pursuant to the ESOS during the financial year is as follows:

	Number of Options
As of 1.1.2010	1,670,000
Lapsed due to termination	(1,670,000)
As of 31.12.2010	-

At the same extraordinary general meeting, the Company also obtained approval from its shareholders on the establishment of new ESOS ("New ESOS") for eligible employees and directors (including non-executive directors) of the Group ("Eligible Persons"), which is effective on 4 March 2011 and will expire on 3 March 2016. The New ESOS is administered by the ESOS Committee and governed by the New ESOS Bylaws.

The salient features of the New ESOS are as follows:

(a) at any point of time during the existence of the New ESOS, the aggregate number of new shares comprised in:

(i) Options exercised by all the Grantees;

(ii) Options remaining exercisable by all the Grantees;

(iii) Unexpired offers of Options pending acceptance by all the Eligible Persons;

(hereinafter referred to as "the Aggregate") shall not exceed an amount equivalent to fifteen percent (15%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at such time;

(b) the New ESOS shall be in force for a duration of five years;

(c) the eligibility for participation in the New ESOS shall be at the discretion of the ESOS Committee;

(d) the ESOS Committee shall be entitled in its discretion to determine the number of new shares to be comprised in an offer of Options made to an Eligible Person, and shall take into consideration, amongst other factors, the Eligible Person's length of service, seniority and individual performance in the Group;

(e) no option shall be granted for less than 100 shares and always be in multiples of 100 shares and subject to the following:

(i) the number of options allocated, in aggregate, to the directors (including non-executive directors) and senior management of the Group shall not exceed 50% of the total options available under the New ESOS; and

(ii) the number of options allocated to any individual director or executive who, either singly or collectively through his/her associates (as defined in the Companies Act, 1965), holds 20% or more in the issued and paid-up share capital of the Company shall not exceed 10% of the total options available under the New ESOS;

(f) the Option price shall be based on the higher of the following:

(i) the 5-day VWAP of the Company's shares immediately preceding the date of the Options is offered, with a discount that does not exceed 10% on the said 5-day VWAP or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the period of the New ESOS; and

(ii) the par value of the Company's shares of RM0.30 each.

(g) the new shares to be issued and allotted upon any exercise of the Options shall, upon issuance, allotment, and full payment, rank pari passu in all respect with the Company's shares except they shall not be entitled to any dividends, rights, allotments and/or other distributions declared, the entitlement date of which is prior to the date of allotments of the new shares.

Warrants

	The Company	
	2010	**2009**
Unexercised warrants	-	33,017,500

33,017,500 warrants were issued and listed on BMSB on 3 May 2005 in conjunction with the rights issue of 33,017,500 ordinary shares. Each warrant entitles its holder the right to subscribe for 2 ordinary shares of RM1.00 in the Company at any time up to the expiry date of 24 April 2010 at an exercise price of RM0.50 payable in cash.

The said warrants expired during the year.

26. RESERVES

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Non-distributable				
Share premium	21,843,480	21,843,480	21,843,480	21,843,480
Translation adjustment account	(4,323,060)	(255,310)	-	-
Capital reserve	2,010,982	2,010,982	-	-
Other reserve	178,866	178,866	-	-
	19,710,268	23,778,018	21,843,480	21,843,480
Accumulated losses	(79,652,861)	(85,628,804)	(86,431,960)	(75,977,140)
Merger deficit arising on consolidation	-	(177,746)	-	-
Net	(79,652,861)	(85,806,550)	(86,431,960)	(75,977,140)
	(59,942,593)	(62,028,532)	(64,588,480)	(54,133,660)

Share premium

Share premium arose from the following:

	The Group and The Company	
	2010	**2009**
	RM	**RM**
New issue of 500,000 ordinary shares at a premium of RM2.50 per ordinary share in 1991	1,250,000	1,250,000
Rights issue of 19,250,000 ordinary shares at a premium of RM0.10 per ordinary share in 1998	1,925,000	1,925,000
Public issue of 2,000,000 ordinary shares at a premium of RM1.50 per ordinary share in 1998, net of share issue expenses of RM1,789,036	1,210,964	1,210,964
Capitalised for bonus issue in 2000	(4,385,964)	(4,385,964)
Rights issue of 15,000,000 ordinary shares at a premium of RM2.50 per ordinary share in 2000, net of share issue expenses of RM1,205,302	36,294,698	36,294,698
Issue of 35,000 ordinary shares pursuant to the ESOS at a premium of RM0.71 per ordinary share in 2002, net of share issue expenses of RM3,200	21,650	21,650
Private placement of 4,000,000 ordinary shares at a premium of RM0.70 per ordinary share in 2002, net of share issue expenses of RM360,395	2,439,605	2,439,605
Private placement of 2,000,000 ordinary shares at a premium of RM0.21 per ordinary share in 2002, net of share issue expenses of RM54,058	365,942	365,942
Capitalised for rights issue in 2005, and share issue expenses of RM769,665	(17,278,415)	(17,278,415)
	21,843,480	21,843,480

Translation adjustment account

Exchange differences arising on translation of foreign controlled entities are taken to the translation adjustment account as described in the accounting policies.

Capital reserve

Capital reserve arose from the following:

	The Group	
	2010	**2009**
	RM	**RM**
Bonus issue by subsidiary companies	1,850,000	1,850,000
Cancellation of shares by a subsidiary company	160,982	160,982
	2,010,982	2,010,982

Other reserve

Under the provision of the Civil and Commercial Code of Thailand, a subsidiary company of the Group incorporated in Thailand is required to set aside a legal reserve of at least 5% of its net income for the year each time a dividend is declared until the reserve reaches 10% of registered capital. This legal reserve cannot be utilised for any purposes up to dissolution of the said subsidiary company.

27. HIRE-PURCHASE PAYABLES

	The Group	
	2010	**2009**
	RM	**RM**
Total amount outstanding	2,680,125	826,336
Less: Interest-in-suspense	(392,738)	(99,915)
Principal portion	2,287,387	726,421
Less: Amount due within 12 months (Note 30)	(558,278)	(201,965)
Non-current portion	1,729,109	524,456

The non-current portion is payable as follows:

	The Group	
	2010	2009
	RM	RM
Between 1 - 2 years	536,014	154,450
Between 2 - 3 years	474,976	150,006
Between 3 - 4 years	460,059	110,000
More than 4 years	258,060	110,000
	1,729,109	524,456

The interest rates implicit in these hire-purchase obligations range from 2.90% to 3.80% (2.90% to 3.90% in 2009) per annum.

28. LONG-TERM BORROWINGS - SECURED

	The Group	
	2010	2009
	RM	RM
Outstanding loan principal	2,461,549	19,003,884
Classified as liability directly associated with investment property held for sale (Note 13(b)(i))	-	(11,126,725)
	2,461,549	7,877,159
Portion due within the next 12 months (Note 30)	(948,237)	(1,125,276)
Non-current portion	1,513,312	6,751,883

The non-current portion is repayable as follows:

	The Group	
	2010	2009
	RM	RM
Between 1 - 2 years	73,812	833,453
Between 2 - 3 years	68,590	889,580
Between 3 - 4 years	71,243	949,882
More than 4 years	1,299,667	4,078,968
	1,513,312	6,751,883

Term loan of the Group amounting to RM1,568,965 (RM18,659,381 in 2009) bears interest at rates ranging from 3.80% to 4.55% (4.43% to 6.63% in 2009) per annum and is secured by investment property and property, plant and equipment as disclosed in Notes 13(b)(i) and15(ii).

Included in term loan of the Group is an amount of RM884,653 (RM344,503 in 2009) obtained by a foreign subsidiary company which bears interest at rates ranging from 4.85% to 6.00% (4.87% to 5.37% in 2009) per annum. The said term loan is secured by property, plant and equipment of the said foreign subsidiary company as disclosed in Note 15(ii).

29. PAYABLES

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Trade payables	7,124,292	5,814,115	-	-
Other payables	4,150,132	4,381,584	260,124	232,959
Accrued expenses	2,420,153	931,998	69,755	72,611
Tax liabilities	20,074	48,628	-	-
Amount owing to subsidiary companies (Note 23(ii))	-	-	7,172,680	7,008,102
	13,714,651	11,176,325	7,502,559	7,313,672
Classified as part of a disposal group held for sale (Note 13(b)(ii))	-	(690,685)	-	-
	13,714,651	10,485,640	7,502,559	7,313,672

Trade payables consist of amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases ranges from 30 to 90 days (30 to 90 days in 2009).

Included in other payables of the Group in 2009 was an amount of RM2,080,000 representing deposits received from a third party for the disposal of leasehold land and building as mentioned in Note 13(b)(i).

30. BORROWINGS

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Secured				
Revolving credits	24,075,681	28,650,501	-	-
Long-term borrowings				
- current portion (Note 28)	948,237	1,125,276	-	-
Bankers acceptances	692,000	1,639,221	-	-
Hire-purchase payables - current portion (Note 27)	558,278	201,965	-	-
Bank overdrafts	361,762	-	-	-
Trust receipts	-	634,715	-	-
	26,635,958	32,251,678	-	-
Unsecured				
Revolving credits	4,500,000	6,000,000	4,500,000	6,500,000
Bank overdrafts	1,675,496	1,842,898	1,675,495	1,842,898
	6,175,496	7,842,898	6,175,495	8,342,898
Total	32,811,454	40,094,576	6,175,495	8,342,898

The Group and the Company have bank overdrafts and other credit facilities totalling RM36,885,000 (RM45,500,000 in 2009) and RM6,175,000 (RM8,500,000 in 2009), respectively obtained from various financial institutions. The bank overdrafts and other credit facilities of the Group and of the Company bear interest at rates ranging from 4.47% to 7.80% (3.80% to 7.50% in 2009) per annum and 6.35% to 7.80% (3.80% to 7.50% in 2009) per annum respectively. The said facilities are unsecured except for an amount of RM31,134,600 (RM30,924,437 in 2009) of the Group, which are secured by:

(a) Mortgage on freehold land and building of a local subsidiary company and, plant and machinery and fixed deposits of a foreign subsidiary company as disclosed in Notes 15 and 24 respectively;

(b) Charge (Second legal charge in 2009) on leasehold land and building as disclosed in Note 15(ii);

(c) A debenture with fixed and floating charges over the assets of a subsidiary company; and

(d) Third party fixed deposits of not less than RM500,000.

Certain credit facilities of the subsidiary companies are guaranteed by the Company.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group 2010 RM	The Company 2010 RM
Financial Assets		
Receivables	16,213,417	5,675,560
Cash and bank balances	3,267,789	47,218
Loan and receivables	19,481,206	5,722,778
Financial Liabilities		
Payables	13,694,577	7,502,559
Hire-purchase payables	2,287,387	-
Borrowings	31,304,939	6,175,495
Long-term borrowings	2,461,549	-
Amortised cost	49,748,452	13,678,054

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3.

Financial risk management objectives and policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities.

(i) Foreign currency risk

The Group transacts business in various foreign currencies including the United States Dollar, Great Britain Pound and Euro, and therefore is exposed to foreign currency exchange risk. During the financial year, the Group entered into forward foreign currency contracts to hedge its exposure to foreign currency risk for receivables in the local reporting currency. As at the end of the reporting period, there were no outstanding amounts of the forward foreign exchange contracts.

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currency exposure to the net assets of the Group's subsidiaries is managed primarily through borrowings denominated in the related foreign currencies.

The currency profile of the financial assets and financial liabilities of the Group are as follows:

	The Group	
	2010	**2009**
	RM	**RM**
Trade receivables (Note 23)		
United States Dollar	5,251,524	3,576,322
Great Britain Pound	3,350,939	3,493,105
Thai Baht	3,350,703	4,423,748
Ringgit Malaysia	1,530,887	1,379,834
Euro	711,617	-
Australian Dollar	394,166	376,186
Chinese Renminbi	363,324	262,402
Singapore Dollar	201,568	108,896
Japanese Yen	21,661	-
	15,176,389	13,620,493

	The Group	
	2010	2009
	RM	RM
Other receivables (Note 23)		
Ringgit Malaysia	641,291	121,729
Great Britain Pound	226,170	22,995
Thai Baht	190,417	122,935
Chinese Renminbi	106,757	27,752
United States Dollar	35,273	30,082
	1,199,908	325,493
Trade payables (Note 29)		
Thai Baht	3,867,435	2,835,911
Ringgit Malaysia	1,816,916	1,513,673
Chinese Renminbi	591,779	178,738
Great Britain Pound	504,063	596,279
United States Dollar	296,528	272,362
Euro	39,514	-
Singapore Dollar	8,057	-
Korean Won	-	417,152
	7,124,292	5,814,115
Other payables (Note 29)		
Ringgit Malaysia	3,759,816	2,941,196
United States Dollar	155,802	99,868
Chinese Renminbi	163,308	45,618
Thai Baht	45,338	1,268,386
Great Britain Pound	25,868	26,516
	4,150,132	4,381,584

	The Group	
	2010	2009
	RM	RM
Cash and bank balances (Note 24)		
Ringgit Malaysia	1,964,149	3,818,909
Chinese Renminbi	469,903	292,900
Thai Baht	260,832	1,263,099
United States Dollar	232,784	735,289
Great Britain Pound	225,686	242,917
Euro	114,435	111,636
Hong Kong Dollar	-	56,846
	3,267,789	6,521,596
Borrowings (Note 30)		
Ringgit Malaysia	21,199,772	27,614,854
Thai Baht	11,611,682	12,277,757
	32,811,454	39,892,611
Long-term borrowings (Note 28)		
Ringgit Malaysia	1,505,382	6,751,883
Thai Baht	7,930	-
	1,513,312	6,751,883

The following table details the sensitivity of the Group's profit net of tax to a 5% increase and decrease of the relevant foreign currencies against the functional currency of the Group. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign exchange rates.

	The Group Higher/(Lower) 2010 RM
Impact on profit net of tax:	
USD – strengthened/(weakened) by 5%	253,362/(253,362)
GBP – strengthened/(weakened) by 5%	163,643/(163,643)
Thai Baht – strengthened/(weakened) by 5%	(586,522)/586,522

(ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on fixed deposits and interest bearing borrowings. The interest rates for the Group's borrowings are disclosed in Notes 28 and 30, and the interest rates for the Group's fixed deposits are disclosed in Note 24.

Interest rates for hire-purchase payables as disclosed in Note 27 are fixed at the inception of the financing arrangement.

The Group manages its interest rate risk by reviewing its debt portfolio. This strategy will allow the Group to capitalise on more favourable funding in a low interest rate environment and hence, to achieve a certain level of protection against interest rate hikes.

A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been 50 basis points higher/lower, with other variables held constant, the Group's and the Company's profit net of tax would have been RM14,500 and RM2,000 lower/higher respectively, mainly from higher/lower interest expense.

(iii) Credit risk

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

Certain subsidiary companies are dependent on a few key customers, the composition of which may vary from year to year. In line with the Group's efforts to enter into transactions with a diversity of credit-worthy parties, the said subsidiary companies continue to diversify their customer base to mitigate the significant concentration of credit risk.

Management believes that the credit risk on bank balances and deposit with licensed banks are limited as they are placed with credit worthy financial institutions.

(iv) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its financial obligations due to a shortage of funds.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations. The tables as of 31 December 2010 include both interest and principal cash flows.

The Group	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	More than 3 years RM	Total RM	Contractual interest rate %
Non-interest bearing:						
Payables	13,694,577	-	-	-	13,694,577	-
Interest bearing:						
Borrowings	31,304,939	-	-	-	31,304,939	4.85% - 6.00%
Hire-purchase payables	751,623	540,720	540,720	847,062	2,680,125	2.90% - 3.80%
Long-term loans	1,022,296	129,712	129,712	1,325,497	2,607,217	3.80%
Total	46,773,435	670,432	670,432	2,172,559	50,286,858	6.00%

The Company	Less than 1 year RM	1 - 2 years RM	2 - 3 years RM	More than 3 years RM	Total RM	Contractual interest rate %
Non-interest earing:						
Payables	7,502,559	-	-	-	7,502,559	-
Interest bearing:						
Borrowings	6,175,495	-	-	-	6,175,495	6.35% - 7.80%
Financial guarantee*	-	-	-	-	-	
Total	13,678,054	-	-	-	13,678,054	

* *At the end of reporting period, it was not probable that the counterparties to financial guarantee contracts will claim under the contracts. Consequently, the amount included above is nil.*

(v) Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Fair Values

The carrying amounts and the estimated fair values of financial instruments of the Group and of the Company as of 31 December 2010 are as follows:

	The Group		The Company	
The Group	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
	RM	**RM**	**RM**	**RM**
Financial Assets				
Receivables	16,213,417	16,213,417	5,675,560	5,675,560
Cash and bank balances	3,267,789	3,267,789	47,218	47,218
Financial Liabilities				
Payables	13,694,577	13,694,577	7,502,559	7,502,559
Borrowings	31,304,939	31,304,939	6,175,495	6,175,495
Hire-purchase payables (Note 27)	2,287,387	2,316,882	-	-
Long-term borrowings (Note 28)	2,461,549	2,462,737	-	-

Hire-purchase payables and long-term borrowings

The fair values of hire-purchase payables and long-term borrowings are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

Cash and cash equivalents, receivables, payables and borrowings

The carrying amounts approximate fair values because of the short maturity period of these instruments.

32. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Cash on hand and at banks (Note 24)	3,027,410	6,281,959	47,218	41,586

33. RELATED PARTY TRANSACTIONS

The options over ordinary shares of the Company granted to the executive directors of the Company are as follows:

	Unexercised options	
	2010	2009
Dato' Ong Eng Lock	-	500,000

Significant transaction undertaken with related parties was as follows:

	The Group	
	2010	2009
	RM	RM
Trade purchases made from My-Turf Sdn. Bhd. (a company connected to Datin Tai Mee Yong, a director of certain subsidiary companies and spouse of Dato' Ong Eng Lock, a director and major shareholder of the Company)	-	147,000

34. CONTINGENT LIABILITIES - UNSECURED

The Company has given unsecured corporate guarantees totalling RM23,717,342 (RM44,700,400 in 2009) to certain financial institutions for term loan, overdraft and other credit facilities granted to certain subsidiary companies. Accordingly, the Company is contingently liable to the financial institutions to the extent of the amount of facilities utilised by the said subsidiary companies. The financial guarantees have not been recognised since the fair value on initial recognition is negligible.

35. SUBSEQUENT EVENT

The following corporate proposals announced on 9 August 2010 were completed on 13 April 2011:

(a) Termination of the Company's existing employees' share option scheme ("ESOS") which was extended for a period of five (5) years up to 14 May 2012;

(b) Establishment of a new ESOS of up to fifteen percent (15%) of the issued and paid-up capital of the Company at any point in time, for the employees and directors (including non-executive directors) of the Group;

(c) Reduction of the Company's issued and paid-up share capital which entails the cancellation of RM0.70 from the existing par value of every existing ordinary share of RM1.00 each in the Company pursuant to Section 64 of the Companies Act, 1965 ("Act") and the reduction of RM17,096,926 from the share premium account of the Company pursuant to Section 64 and Section 60(2) of the Act to be off-set against the accumulated losses of the Company ("Capital Reduction");

(d) Renounceable rights issue of 49,526,250 Warrants on the basis of one (1) warrant for every two (2) existing shares of the Company at an issue price of RM0.03 per warrant;

(e) Reduction in the authorised share capital of the Company from RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each to RM150,000,000 comprising 500,000,000 ordinary shares of RM0.30 each; and

(f) Amendments to the Memorandum and Articles of Association of the Company to allow for the alteration in the authorised share capital of the Company

(collectively referred to as "the Proposals").

On 16 December 2010, the Company obtained approval from its shareholders via extraordinary general meeting in relation to the Proposals.

On 26 January 2011, the Company announced that the High Court of Malaya in Kuala Lumpur had granted an order confirming the Capital Reduction pursuant to Section 64 and Section 60(2) of the Act.

On 14 February 2011, the Company announced that the Sealed Order of the High Court of Malaya in Kuala Lumpur had been lodged with the Registrar of Companies and the Capital Reduction considered completed on the same date.

On 13 April 2011, the Company announced that the Right Issue has been completed, following the admission of 49,526,250 Warrants to the Official Listing of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing and quotation of the aforesaid securities on the Main Market of Bursa Securities.

36. COMMITMENTS

(i) As of 31 December 2010, the Group has lease commitments in respect of rental of premises as follows:

	Future Minimum Lease Payments	
	The Group	
	2010	2009
	RM	RM
Within 1 year	328,698	400,426
Within 2 - 5 years	-	117,332
	328,698	517,758

(ii) As of 31 December 2010, the Group has capital commitment not provided for in the financial statements as follows:

	The Group	
	2010	2009
	RM	RM
Commitments for the purchase of property, plant and equipment:		
Approved and contracted for	1,759,640	125,000
Approved but not contracted for	2,142,575	-
	3,902,215	125,000

37. SUPPLEMENTARY INFORMATION - Disclosure on realised and unrealised profits/losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements which requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the accumulated losses of the Group and of the Company as of 31 December 2010 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	The Group	The Company
	2010	2010
	RM	RM
Total accumulated losses:		
Realised loss	(81,601,129)	(26,945,955)
Unrealised gain/(loss)	1,948,268	(59,486,005)
	(79,652,861)	(86,431,960)

Comparative information is not presented in the first financial year of application pursuant to the directive issued by Bursa Malaysia on 25 March 2010.

The determination of realised and unrealised profits or losses is based on 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 on 20 December 2010. A charge or credit to the profit or loss of a legal entity is deemed realised when it resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information have been made solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia Securities Berhad and is not made for any other purposes.

STATEMENT BY DIRECTORS

The directors of **ABRIC BERHAD** state that, in their opinion, the accompanying statements of financial position as of 31 December 2010 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 130, are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 31 December 2010 and of the results of operations and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

DATO' ONG ENG LOCK, DIMP, JP

ONG YING HWEY, ADELINE

Kuala Lumpur,
26 April 2011

DECLARATION BY THE DIRECTOR

Primarily Responsible for the Financial Management of the Company

I, **DATO' ONG ENG LOCK**, the director primarily responsible for the financial management of **ABRIC BERHAD**, do solemnly and sincerely declare that the accompanying statements of financial position and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 130, 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.

DATO' ONG ENG LOCK

Subscribed and solemnly declared by the
abovenamed **DATO' ONG ENG LOCK**, at
KUALA LUMPUR this 26th day of April 2011.

Before me,

COMMISSIONER FOR OATHS

LIST OF PROPERTIES

Address	Description and Existing Usage of Properties	Land Area/ Build-Up Area (sq. ft.)	Tenure and Expiry Date	Approximate Age of Building (Years)	Net Book Value as at 31 December 2010 (RM)	Date of Acquisition
Lot 196803 Hala Jati 12 Kawasan Perindustrian Taman Meru Off Jalan Jelapang 30020 Ipoh, Perak Malaysia	Land and buildings *Office cum warehouse/ Factory*	145,643/ 142,000	Leasehold for 60 years expiring on 21 June 2052	20	7,148,334	9 November 2005
111/5 Moo2 Makamku District Amphur Nikom Pattana Rayong 21180 Thailand	Land and buildings *Office cum warehouse/ Factory*	148,540/ 103,000	Freehold	9	6,989,675	18 January 2001
J-8-6, J-8-7, J-8-8 2 Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Malaysia	Office *Corporate office*	3,748*	Freehold	3	2,412,389	7 May 2008

* *Built-up area*

ANALYSIS OF SHAREHOLDINGS
as at 4 May 2011

Authorised Share Capital	:	RM150,000,000
Paid-up Share Capital	:	RM29,715,750
Class of Shares	:	Ordinary Shares of RM0.30 each
No. of shareholders	:	3,048
Voting Rights	:	One (1) Vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDERS as at 4 May 2011

No. of Shareholders	Size of Shareholdings	No. of Shares	%
19	Less than 100 shares	543	0.000
626	100 – 1,000 shares	589,557	0.595
1,795	1,001 – 10,000 shares	7,800,900	7.875
531	10,001 – 100,000 shares	16,348,900	16.505
75	100,001 – 4,952,624 shares	42,991,748	43.402
2	4,952,625 and above of issued shares	31,320,852	31.620
3,559		**99,052,500**	**100.000**

30 LARGEST SHAREHOLDERS as at 4 May 2011
(Without aggregating securities accounts belonging to the same person)

No.	Name	No. of Shares	%
1.	ABRIC Capital Sdn. Bhd.	25,208,852	25.449
2.	Hibiscus Capital Sdn. Bhd.	6,112,000	6.170
3.	Chew Weng Yew	4,933,900	4.981
4.	Tham Wai Cheng & Tham Kwee Cheng	4,825,600	4.871
5.	Ong Eng Lock	3,000,000	3.028
6.	Tai Mee Yong	3,000,000	3.028
7.	Ong Ying Hwey, Adeline	2,500,000	2.523
8.	Tan Soon Aik	2,190,000	2.210
9.	Ong Boon Cheow	1,724,900	1.741
10.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak*	1,200,000	1.211

No.	Name	No. of Shares	%
11.	Christina Tennant Chew	1,150,000	1.161
12.	Lim Boon Liat	1,100,000	1.110
13.	Ong Xing Hwey, Caroline	1,000,000	1.009
14.	Ong Zhong Hwey, Brian	1,000,000	1.009
15.	Tan Han Chong	1,000,000	1.009
16.	Wong Siew Len	850,000	0.858
17.	Wong Lee Yun	518,000	0.522
18.	Loo Say Peng	500,000	0.504
19.	Yeunh Kwai Foong	500,000	0.504
20.	Leong Poh Hoong	488,000	0.492
21.	Yeo Peng Huat	461,000	0.465
22.	Yong Kwet On	450,000	0.454
23.	Ng Kim Eng	390,000	0.393
24.	Tan Pak Nang	373,000	0.376
25.	Chin Lin Thai	360,000	0.363
26.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Yeng Chi*	350,000	0.353
27.	Lim Jit Hai	346,000	0.349
28.	Tan Chek Siew	337,000	0.340
29.	Ngui Nyuk Kyoon	322,700	0.325
30.	Tan Eng Huat	317,800	0.320
	Total	**60,508,752**	**67.144**

NOTICE OF TWENTY-FIRST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting of ABRIC Berhad will be held at Dewan Tan Sri Hamzah, Royal Selangor Club, Kiara Sports Annex, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur, on Friday, 24 June 2011 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Directors' and Auditors' Reports thereon. *[Please refer to Explanatory Note 1]*

2. To approve the payment of Directors' fees for the financial year ended 31 December 2010. *[Resolution 1]*

3. To re-elect Dato' Ong Eng Lock who retires under Article 99 of the Company's Articles of Association. *[Resolution 2]*

4. To re-elect Ir Hon Hin See who retires under Article 99 of the Company's Articles of Association. *[Resolution 3]*

5. To re-appoint Messrs Deloitte & Touche as Auditors of the Company and to authorise the Directors to fix their remuneration. *[Resolution 4]*

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution, with or without modifications, as Ordinary Resolution of the Company:

6. **ORDINARY RESOLUTION**
   AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES *[Resolution 5]*

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors of the Company be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company unless revoked or varied by the Company at a general meeting."

By Order of the Board
NG YEN HOONG (LS 008016)
KUAN HUI FANG (MIA 16876)
Company Secretaries
Kuala Lumpur
2 June 2011

i. NOTES ON APPOINTMENT OF PROXY:

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy/ proxies to attend and vote in his stead. A proxy need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who appoints more than one proxy shall specify the proportion of his shareholdings to be represented by each proxy.

The instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney and in the case of a corporation shall be either under the Common Seal or signed by its attorney or by an officer on behalf of the corporation.

The instrument appointing a proxy must be deposited at the Registered Office of the Company situated at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the meeting or any adjournment thereof, and in default, the instrument of proxy shall not be treated as valid.

ii. EXPLANATORY NOTES

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

2. Item 7 of Agenda-Special Business
Ordinary Resolution I
Resolution Pursuant To Section 132D Of The Companies Act, 1965

The Ordinary Resolution proposed under Resolution 6 is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised.

The Ordinary Resolution proposed under Resolution 6, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the purpose of funding the Company's future investment project(s), working capital and/ or acquisition(s), by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed 10% of the issued and paid-up share capital of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

ABRIC BERHAD (187259-W)
(Incorporated in Malaysia)

Number of shares held:
If more than 1 proxy, please specify number of shares represented by each proxy
Name of Proxy 1:
Name of Proxy 2:

FORM OF PROXY

(Before completing the form please refer to notes below)

I/We _____ NRIC/Company No. _____
(PLEASE USE BLOCK CAPITAL)

of _____ Contact No. _____
(FULL ADDRESS)

a member/members of **ABRIC BERHAD** hereby appoint_____
of _____
or failing whom, _____of _____
_____or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Twenty-First Annual General Meeting of the Company to be held at Dewan Tan Sri Hamzah, Royal Selangor Club, Kiara Sports Annex, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Friday, 24 June 2011 at 10.00 a.m. and at any adjournment thereof, on the following resolutions referred to in the Notice of the Twenty-First Annual General Meeting.

Item	Agenda		
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Directors' and Auditors' Report thereon.		
		*For	*Against
ORDINARY BUSINESS			
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2010. ***(Resolution 1)***		
3.	To re-elect Dato' Ong Eng Lock who retires under Article 99 of the Company's Articles of Association. ***(Resolution 2)***		
4.	To re-elect Ir Hon Hin See who retires under Article 99 of the Company's Articles of Association. ***(Resolution 3)***		
5.	To re-appoint Messrs Deloitte & Touche as Auditors of the Company and to authorise the Directors to fix their remuneration. ***(Resolution 4)***		
AS SPECIAL BUSINESS			
6.	To authorise Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965. ***(Resolution 5)***		

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

Dated this _____ day of _____ 2011.

_____
Signature of Shareholder or Common Seal

Notes:-

1. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy/proxies to attend and vote in his stead. A proxy need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who appoints more than one proxy shall specify the proportion of his shareholdings to be represented by each proxy.*
2. *The instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney and in the case of a corporation shall be either under the Common Seal or signed by its attorney or by an officer on behalf of the corporation.*
3. *The instrument appointing a proxy must be deposited at the Registered Office of the Company situated at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the meeting or any adjournment thereof, and in default, the instrument of proxy shall not be treated as valid.*

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP
HERE

Registered Office

ABRIC BERHAD (187259-W)
Level 18
The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

1st Fold Here

Sealing assets globally with quality & integrity

OUR GLOBAL PRESENCE

Sales & Marketing Offices

ABRIC WORLDWIDE SDN. BHD.
J-8-8, 2 Jalan Solaris
Solaris Mont' Kiara
50480 Kuala Lumpur
Malaysia
T : +603 6207 3333
F : +603 6207 3232
Email : awsb@abric.com

ABRIC EUROPE LTD
Unit 4, Hemlock Park
Hyssop Close, Hawks Green
Cannock, WS11 7FB
United Kingdom
T : +44 1543 500 144
F : +44 1543 500 252
Email : ael@abric.com

ABRIC NORTH AMERICA INC
220 Barren Springs Dr#11
Houston
Texas 77090
United States of America
T : +1 281 569 7100
F : +1 281 569 7101
Toll Free : 1-888-9ABRIC9
Email : ana@abric.com

Manufacturing Facilities

ABRIC INTERNATIONAL SDN. BHD.
Lot 196803 Hala Jati 12
Kawasan Perindustrian Taman Meru
Off Jalan Jelapang, 30020 Ipoh
Perak Darul Ridzuan
Malaysia
T : +605 501 8100
F : +605 501 8102

ABRIC EASTERN INTERNATIONAL LTD
111/5 Moo2, Makamku District
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Rayong 21180
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T : +66 38 893 833
F : +66 38 893 727
Email : aei@abric.com

ABRIC SHANGHAI LTD
8, Furong Road, Yexie Town
Songjiang District
201609 Shanghai
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T : +86 21 6780 9077
F : +86 21 6780 9091
Email : asl@abric.com