Company No. : 573695 W

ORNAPAPER BERHAD
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2004

Company No. : 573695 W

ORNAPAPER BERHAD (Incorporated in Malaysia)

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Company No. : 573695 W

ORNAPAPER BERHAD (Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM	Company RM
Net profit for the year	722,948	97,252

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2003 were as follows:

	RM
Final tax exempt dividend of 5% in respect of the financial year ended 31 December 2003, paid on 21 September 2004	3,100,000

The directors do not recommend any final dividend for the current financial year.

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ORNAPAPER BERHAD (Incorporated in Malaysia)
DIRECTORS' REPORT

DIRECTORS

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

Datuk Dr. Ting Chung Cheng
Tuan Haji Azhar bin Nayan
See Wan Seng
Siow Kee Yen
Adillah binti Ahmad Nordin
Ang Kwee Teng
Sai Chin Hock (resigned on 1 September 2004)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 5 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as mentioned in Note 29 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1 Each			
	1.1.2004	**Acquired**	**Sold**	**31.12.2004**
Direct				
Datuk Dr. Ting Chung Cheng	8,368,649	-	-	8,368,649
Tuan Haji Azhar bin Nayan	25,000	-	-	25,000
Siow Kee Yen	5,000	-	-	5,000
Adillah binti Ahmad Nordin	4,000	-	-	4,000

ORNAPAPER BERHAD (Incorporated in Malaysia)
DIRECTORS' REPORT

	Number of Ordinary Shares of RM1 Each			
	1.1.2004	**Acquired**	**Sold**	**31.12.2004**
Indirect				
Datuk Dr. Ting Chung Cheng	-	2,000,000	-	2,000,000
Ang Kwee Teng	18,634,888	-	-	18,634,888
See Wan Seng	18,634,888	-	-	18,634,888

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

SHARE CAPITAL

During the financial year, the Company increased its issued and fully paid up ordinary share capital from RM62,000,000 to RM75,250,601 by way of issuance of 13,250,601 ordinary shares of RM1 each at an issue price of RM1.45 per ordinary share as purchase consideration for the acquisition of 3 subsidiaries, namely, Tripack Packaging (M) Sdn. Bhd., Ornapaper Industry (Johor) Sdn. Bhd. and Ornapaper Industry (Perak) Sdn. Bhd.. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

OTHER STATUTORY INFORMATION

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

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

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

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

  (i) require any amount to be written off as bad debts or render the amount provided for as doubtful debts inadequate to any substantial extent; and

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

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

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

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

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

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

(f) In the opinion of the directors:-

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

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

ORNAPAPER BERHAD (Incorporated in Malaysia)
DIRECTORS' REPORT

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors

DATUK DR. TING CHUNG CHENG SEE WAN SENG

Melaka, Malaysia
Date: 8 April 2005

Company No. : 573695 W

ORNAPAPER BERHAD (Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, DATUK DR. TING CHUNG CHENG and SEE WAN SENG, being two of the directors of ORNAPAPER BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 43 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

DATUK DR. TING CHUNG CHENG	SEE WAN SENG

Melaka, Malaysia
Date: 8 April 2005

STATUTORY DECLARATION
PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, DATUK DR. TING CHUNG CHENG, being the director primarily responsible for the financial management of ORNAPAPER BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 43 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the	)	
abovenamed DATUK DR. TING	)	
CHUNG CHENG at Melaka in the State	)	
of Melaka on 8 April 2005	)	DATUK DR. TING CHUNG CHENG

Before me,

A. SUPRAMANIAM PIS

REPORT OF THE AUDITORS TO THE MEMBERS OF ORNAPAPER BERHAD
(Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 9 to 43. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of :

    (i) the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and

    (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

REPORT OF THE AUDITORS TO THE MEMBERS OF ORNAPAPER BERHAD (Incorporated in Malaysia)

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 11 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

LEE AH TOO
No. 2187/09/05(J)
Partner

Melaka, Malaysia
Date: 8 April 2005

Company No. : 573695 W

ORNAPAPER BERHAD (Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	Group 2004 RM	Group 2003 RM	Company 2004 RM	Company 2003 RM
Revenue	3	135,839,693	122,828,847	718,175	3,559,050
Cost of sales		(115,758,242)	(98,362,898)	-	-
Gross profit		20,081,451	24,465,949	718,175	3,559,050
Other operating income		270,287	204,406	-	-
Administrative expenses		(5,361,457)	(3,828,227)	(227,042)	(193,250)
Selling and marketing expenses		(7,788,255)	(6,400,979)	(11,680)	(12,868)
Other operating expenses		(3,634,555)	(3,212,335)	(239,567)	(90,462)
Profit from operations	4	3,567,471	11,228,814	239,886	3,262,470
Finance cost, net	6	(2,488,522)	(1,634,308)	(73,634)	-
Profit before taxation		1,078,949	9,594,506	166,252	3,262,470
Taxation	7	(727,643)	(1,529,200)	(69,000)	-
Profit after tax		351,306	8,065,306	97,252	3,262,470
Minority interests		371,642	-	-	-
Net profit for the year		722,948	8,065,306	97,252	3,262,470
Earnings per share (sen)	8	1.1	13.1		
Net dividend per ordinary share in respect of the year (sen)	9	-	5.0		

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

Company No. : 573695 W

ORNAPAPER BERHAD (Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 DECEMBER 2004

	Note	Group 2004 RM	Group 2003 RM	Company 2004 RM	Company 2003 RM
NON-CURRENT ASSETS					
Property, plant and equipment	10	133,643,182	71,104,607	-	-
Investment in subsidiaries	11	-	-	92,332,285	55,783,495
Other investments	12	269,400	269,400	-	-
Deferred tax assets	13	157,011	-	20,340	-
		134,069,593	71,374,007	92,352,625	55,783,495
CURRENT ASSETS					
Inventories	14	25,886,849	14,755,375	-	-
Trade receivables	15	54,083,412	44,066,652	-	-
Other receivables	16	4,500,625	4,181,742	26,515	14,721,725
Tax recoverable		1,228,501	118,579	83,682	13,933
Cash and bank balances	17	14,582,458	6,456,544	13,914	29,938
		100,281,845	69,578,892	124,111	14,765,596
CURRENT LIABILITIES					
Short term borrowings	18	66,205,473	39,072,962	-	-
Trade payables	20	13,294,153	9,249,063	-	-
Other payables	21	4,424,440	2,224,353	3,108,022	51,000
Tax payable		206,368	-	-	-
		84,130,434	50,546,378	3,108,022	51,000
NET CURRENT ASSETS/(LIABILITIES)		16,151,411	19,032,514	(2,983,911)	14,714,596
		150,221,004	90,406,521	89,368,714	70,498,091
FINANCED BY :					
Share capital	22	75,250,601	62,000,000	75,250,601	62,000,000
Share premium	23	11,155,900	5,193,130	11,155,900	5,193,130
Foreign exchange reserve	24	3,891	-	-	-
Retained profits	25	6,473,350	8,850,402	302,213	3,304,961
Shareholders' equity		92,883,742	76,043,532	86,708,714	70,498,091
Negative goodwill on consolidation	26	3,182,166	4,753,667	-	-
Minority interest		13,884,551	-	-	-
		109,950,459	80,797,199	86,708,714	70,498,091

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ORNAPAPER BERHAD (Incorporated in Malaysia)
BALANCE SHEETS

	Note	Group 2004 RM	Group 2003 RM	Company 2004 RM	Company 2003 RM
Long-term borrowings	18	30,783,262	2,356,322	2,660,000	-
Deferred tax liabilities	13	9,487,283	7,253,000	-	-
Non-current liabilities		40,270,545	9,609,322	2,660,000	-
		150,221,004	90,406,521	89,368,714	70,498,091

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

Company No. : 573695 W

ORNAPAPER BERHAD (Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

	Share capital RM	Non-distributable Share premium RM	Non-distributable Foreign exchange reserve RM	Distributable Retained profits RM	Total RM
Group					
At 1 January 2003	54,000,000	1,309,345	-	785,096	56,094,441
Issue of share capital (Note 22)	8,000,000	4,800,000	-	-	12,800,000
Share issue expenses	-	(916,215)	-	-	(916,215)
Net profit for the year	-	-	-	8,065,306	8,065,306
At 31 December 2003	62,000,000	5,193,130	-	8,850,402	76,043,532
Issue of share capital (Note 22)	13,250,601	5,962,770	-	-	19,213,371
Net profit for the year	-	-	-	722,948	722,948
Foreign exchange differences, representing net gain not recognised in income statement	-	-	3,891	-	3,891
Dividends (Note 9)	-	-	-	(3,100,000)	(3,100,000)
At 31 December 2004	75,250,601	11,155,900	3,891	6,473,350	92,883,742
Company					
At 1 January 2003	54,000,000	1,309,345	-	42,491	55,351,836
Issue of share capital (Note 22)	8,000,000	4,800,000	-	-	12,800,000
Share issue expenses	-	(916,215)	-	-	(916,215)
Net profit for the year	-	-	-	3,262,470	3,262,470
At 31 December 2003	62,000,000	5,193,130	-	3,304,961	70,498,091
Issue of share capital (Note 22)	13,250,601	5,962,770	-	-	19,213,371
Net profit for the year	-	-	-	97,252	97,252
Dividends (Note 9)	-	-	-	(3,100,000)	(3,100,000)
At 31 December 2004	75,250,601	11,155,900	-	302,213	86,708,714

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

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ORNAPAPER BERHAD (Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	1,078,949	9,594,506	166,252	3,262,470
Adjustments for :				
Depreciation	5,054,625	3,903,332	-	-
Gain on disposal of property, plant and equipment	(108,817)	(5,433)	-	-
Provision for doubtful debts	167,547	363,271	-	-
Gross dividend	(88)	-	(568,175)	-
Interest expense	2,970,156	1,847,605	73,876	-
Interest income	(481,634)	(213,297)	(242)	-
Operating profit/(loss) before working capital changes	8,680,738	15,489,984	(328,289)	3,262,470
Decrease/(increase) in receivables	9,921,443	(13,934,435)	14,695,210	(14,234,749)
Increase in inventories	(5,982,738)	(1,891,895)	-	-
(Decrease)/increase in payables	(6,446,556)	3,129,908	3,057,022	(1,066,366)
Cash generated from/ (used in) operations	6,172,887	2,793,562	17,423,943	(12,038,645)
Interest paid	(2,970,156)	(1,847,605)	(73,876)	-
Interest received	481,634	213,297	242	-
Taxation paid	(267,381)	(852,665)	-	-
Net cash from/(used in) operating activities	3,416,984	306,589	17,350,309	(12,038,645)

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ORNAPAPER BERHAD (Incorporated in Malaysia)
CASH FLOW STATEMENTS

	Group		Company	
	2004	**2003**	**2004**	**2003**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from issuance of shares	-	12,800,000	-	12,800,000
Shares issue expenses	-	(916,215)	-	(916,215)
Net cash inflow/(outflow) from acquisition of subsidiaries (Note 11)	11,501,572	-	(17,335,419)	-
Net dividends received	88	-	409,086	-
Proceeds from disposal of property, plant and equipment	1,193,310	6,500	-	-
Purchase of property, plant and equipment	(42,248,012)	(4,769,263)	-	-
Net cash (used in)/from investing activities	(29,553,042)	7,121,022	(16,926,333)	11,883,785
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of term loans	23,205,274	-	2,660,000	-
Repayment of term loan	(87,245)	(342,333)	-	-
Repayment of hire purchase	(1,389,016)	(8,004,388)	-	-
Short term borrowings	13,408,681	6,499,269	-	-
Dividends paid	(3,100,000)	-	(3,100,000)	-
Net cash from/(used in) financing activities	32,037,694	(1,847,452)	(440,000)	-
CASH AND CASH EQUIVALENTS				
Increase/(decrease) during the year	5,901,636	5,580,159	(16,024)	(154,860)
Effect of exchange rate changes	3,891	-	-	-
At beginning of year	6,456,544	876,385	29,938	184,798
At end of year (Note 17)	12,362,071	6,456,544	13,914	29,938

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2004

1. CORPORATE INFORMATION

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

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

The numbers of employees in the Group and in the Company at the end of the financial year were 859 (2003 : 450) and 1 (2003 : 1) respectively. The accounting records of the Company are maintained by the employees of a subsidiary.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 April 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l). Goodwill arising on the acquisition of subsidiaries is not amortised.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition . Negative goodwill arising on the acquisition of subsidiaries is not amortised.

(d) Investment in Subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

Capital work-in-progress is not depreciated. Leasehold land is depreciated on a straight line basis over the period of the respective leases which range from 60 years to 98 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates :

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

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(f) Inventories

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

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

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

Prior to 1 January 2004, the cost of inventories was determined on the first in, first out basis. The directors consider that the change to the weighted average method would result in a more practical approach in determining inventory values. The effect on the financial statements of this change is not material.

(g) Cash and Cash Equivalents

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

(h) Hire Purchase

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum hire purchase payments at the inception of the hire purchase, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum hire purchase payments, the discount factor used is the interest rate implicit in the hire purchase, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant hire purchase so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for hire purchase assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

(i) Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(j) Employee Benefits

(i) Short term benefits

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

(ii) Defined contributions plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Some of the Group’s foreign subsidiaries make contributions to their respective countries’ statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

(k) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(ii) Dividend income

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

(iii) Management fee

Management fee is recognised on an accrual basis.

(l) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the assets no longer exist or have decreased.

(m) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at exchange rates ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are reported in Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are reported using the historical rates as of the dates of acquisition and non-monetary items which are carried at fair value are reported using the exchange rates that existed when the values were determined. All exchange differences from foreign currency transactions are taken to the income statement.

(ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are recognised in equity.

The exchange rates ruling at balance sheet date used in translation of financial statements of foreign consolidated subsidiaries used are as follows:

	2004 **RM**	**2003** **RM**
Vietnam Dong 1000	0.24	-
New Taiwan Dollar	0.11	-

(n) Financial Instruments

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

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

(i) Other Non-Current Investments

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

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is charged or credited to the income statement.

(ii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

(iii) Trade Receivables

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

(iv) Trade Payables

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

(v) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(vi) Equity Instruments

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

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Cost of issuing equity securities in connection with a business combination are included in the cost of acquisition.

3. REVENUE

	Group		Company	
	2004	**2003**	**2004**	**2003**
	RM	**RM**	**RM**	**RM**
Sales of goods	135,839,693	122,828,847	-	-
Dividend income from subsidiary	-	-	568,175	3,409,050
Management fees from subsidiaries	-	-	150,000	150,000
	135,839,693	122,828,847	718,175	3,559,050

4. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

	Group		Company	
	2004	**2003**	**2004**	**2003**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration				
- statutory audit				
- current year	103,621	61,000	25,000	20,000
- overprovision in prior year	-	7,750	-	-
- other services	143,684	48,773	110,250	16,432
Doubtful debts	167,547	363,271	-	-
Depreciation	5,054,625	3,903,332	-	-
Directors' remuneration (Note 5)	1,127,969	980,324	176,300	154,600
Rental expense	401,616	214,318	-	-
Gain on disposal of property, plant and equipment	(108,625)	(5,433)	-	-
Rental income	(29,600)	-	-	-
Gross dividend	(88)	-	(568,175)	-
Staff costs				
- Salaries and wages	9,240,845	6,903,544	24,000	-
- Defined contribution plan	808,340	600,559	2,880	-
- Other related costs	2,637,441	3,368,843	-	-

5. DIRECTORS' REMUNERATION

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	643,625	557,150	52,000	38,500
Defined contribution plan	76,800	65,784	4,800	3,600
Fees	110,000	105,000	50,000	45,000
Benefits-in-kind	166,019	38,062	-	-
	996,444	765,996	106,800	87,100
Non-Executive:				
Fees	90,000	90,000	60,000	60,000
Other emoluments	9,500	7,500	9,500	7,500
	99,500	97,500	69,500	67,500
Directors of subsidiaries				
Executive:				
Salaries and other emoluments	151,920	69,050	-	-
Defined contribution plan	16,124	8,340	-	-
Fees	30,000	77,500	-	-
	198,044	154,890	-	-
	1,293,988	1,018,386	176,300	154,600
Analysis excluding benefits-in-kind				
Total executive directors' remuneration	1,028,469	882,824	106,800	87,100
Total non-executive directors' remuneration	99,500	97,500	69,500	67,500
Total directors' remuneration (Note 4)	1,127,969	980,324	176,300	154,600

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

	2004	2003
Executive directors:		
Below RM50,000	-	1
RM50,001 - RM100,000	2	1
RM150,001 - RM200,000	-	1
RM200,001 - RM250,000	1	-
RM450,001 - RM500,000	-	1
RM600,001 - RM650,000	1	-
Non-executive directors:		
Below RM50,000	3	3

6. FINANCE COST, NET

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Interest expense	2,970,156	1,847,605	73,876	-
Interest income	(481,634)	(213,297)	(242)	-
	2,488,522	1,634,308	73,634	-

7. TAXATION

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Income tax:				
Malaysian income tax	33,488	747,200	89,340	-
Deferred tax (Note 13):				
Relating to origination and reversal of temporary differences	784,078	782,000	(20,340)	-
Overprovision in prior years	(89,923)	-	-	-
	694,155	782,000	(20,340)	-
	727,643	1,529,200	69,000	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Group		Company	
	2004	**2003**	**2004**	**2003**
	RM	**RM**	**RM**	**RM**
Profit before taxation	1,078,949	9,594,506	166,252	3,262,470
Taxation at 28% (2003 : 28%)	302,105	2,686,510	46,550	913,490
Effect of different tax rate in other countries	143,084	-	-	-
Effect of expenses not deductible tax purposes	434,242	276,890	42,790	34,010
Effect of utilisation of previously unrecognised reinvestment allowances	(67,893)	(755,090)	-	-
Effect of utilisation of current year's reinvestment allowances	-	(686,140)	-	-
Effect of income not subject to tax	(6,589)	-	-	(954,530)
Deferred tax asset recognised on unutilised losses	(20,340)	-	(20,340)	-
Deferred tax asset not recognised on unutilised losses	32,957	7,030	-	7,030
Overprovision of deferred tax in prior years	(89,923)	-	-	-
Tax expense for the year	727,643	1,529,200	69,000	-

8. EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the net profit for the year of RM722,948 (2003 : RM8,065,306) by the weighted average number of 66,416,867 (2003 : 61,333,333) ordinary shares in issue during the financial year.

9. DIVIDENDS

	Net Dividend Per Ordinary Share			
	2004	**2003**	**2004**	**2003**
	Sen	**Sen**	**RM**	**RM**
In respect of year ended 31 December 2003 :				
Final tax exempt dividend of 5% on 62,000,000 ordinary shares	-	5.0	-	3,100,000

10. PROPERTY, PLANT AND EQUIPMENT

	Long term leasehold land RM	Short term leasehold land RM	Factory buildings RM	Plant and machinery RM	Other assets RM	Total RM
Group						
Cost						
At 1 January 2004	8,959,470	927,765	15,154,840	59,325,556	10,739,656	95,107,287
Additions	-	-	7,495,098	34,159,174	6,066,140	47,720,412
Disposals	-	-	-	(1,653,763)	(365,730)	(2,019,493)
Reclassification	-	-	5,688,333	(543,863)	(5,144,470)	-
Acquisition of subsidiaries	2,170,000	3,084,444	9,556,435	17,542,985	4,377,890	36,731,754
At 31 December 2004	11,129,470	4,012,209	37,894,706	108,830,089	15,673,486	177,539,960
Accumulated Depreciation						
At 1 January 2004	468,821	109,565	1,997,009	17,637,591	3,789,694	24,002,680
Charge for the year	103,693	37,049	543,438	3,648,412	722,033	5,054,625
Disposals	-	-	-	(604,492)	(330,508)	(935,000)
Reclassification	-	-	-	(348,434)	348,434	-
Acquisition of subsidiaries	120,716	155,570	1,989,336	11,514,240	1,994,611	15,774,473
At 31 December 2004	693,230	302,184	4,529,783	31,847,317	6,524,264	43,896,778
Net Book Value						
At 31 December 2004	10,436,240	3,710,025	33,364,923	76,982,772	9,149,222	133,643,182
At 31 December 2003	8,490,649	818,200	13,157,831	41,687,965	6,949,962	71,104,607

	Long term leasehold land RM	Short term leasehold land RM	Factory buildings RM	Plant and machinery RM	Other assets RM	Total RM
Details as at 1 January 2003						
Cost	8,173,133	927,765	15,154,840	55,518,713	6,838,573	86,613,024
Accumulated depreciation	393,052	93,078	1,704,418	14,618,819	3,290,914	20,100,281
Depreciation charge for 2003	75,769	16,487	292,591	3,019,705	498,780	3,903,332

(a) Other assets comprise motor vehicles, office equipment, furniture, fittings and office renovation and capital work in progress. The cost of work in progress at the end of the financial year was RM5,122,921 (2003 : RM5,788,333).

(b) Net book value of property, plant and equipment pledged to financial institutions for bank borrowings as referred to Note 18 are as follow:

	Group 2004 RM	2003 RM
Long term leasehold land	10,436,240	8,490,649
Short term leasehold land	3,710,025	818,200
Factory buildings	33,364,923	13,157,831
Plant and machinery	75,680,789	41,453,520
Others	7,589,073	6,667,372
	130,781,050	70,587,572

(c) The cost of property, plant and equipment purchased during the financial year of RM47,720,412 (2003 : RM8,496,263) includes an amount of RM5,472,400 (2003 : RM3,727,000) which was financed under hire purchase arrangements.

(d) Net book value of property, plant and equipment held under hire purchase agreements are as follow:

	Group	
	2004	**2003**
	RM	**RM**
Plant and machinery	10,832,449	12,923,174
Motor vehicles	938,361	368,228
Factory equipment	-	136,587
	11,770,810	13,427,989

11. INVESTMENT IN SUBSIDIARIES

	Company	
	2004	**2003**
	RM	**RM**
Unquoted shares at cost	92,332,285	55,783,495

Details of the subsidiaries are as follows :

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%) 2004	Equity Interest Held (%) 2003	Principal Activities
Subsidiaries of the Company				
Ornapaper Industry (M) Sdn. Bhd.	Malaysia	100	100	Manufacturing of corrugated boards and carton boxes
Ornapaper Industry (Batu Pahat) Sdn. Bhd.	Malaysia	100	100	Manufacturing of carton boxes
Ornapaper Industry (Perak) Sdn. Bhd.	Malaysia	100	-	Manufacturing of corrugated boards and carton boxes
Ornapaper Industry (Johor) Sdn. Bhd.*	Malaysia	80	-	Manufacturing of carton boxes

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%) 2004	2003	Principal Activities
Tripack Packaging (M) Sdn. Bhd.*	Malaysia	100	-	Manufacturing of cartons boxes
Ornapaper Vietnam Co. Ltd.*	Vietnam	55	-	Manufacturing of corrugated boards and carton boxes
Subsidiary of Ornapaper Industry (M) Sdn. Bhd.				
Hello Paper Co Ltd.*	Republic of China	52	-	Trading of wrapping paper materials

* Not audited by Ernst & Young

(a) Acquisition of subsidiaries:

During the year, the Group acquired the following subsidiaries :

Name of subsidiary	Effective date of combination	Negative goodwill/ (goodwill) arising RM	Purchase consideration RM	Mode of settlement
Ornapaper Vietnam Co. Ltd.	4 August 2004	-	16,746,853	Cash
Ornapaper Industry (Perak) Sdn. Bhd.	1 September 2004	1,573,698	15,598,952	Issuance of 10,757,898 ordinary shares at RM1.45 per share
Tripack Packaging (M) Sdn. Bhd.	1 September 2004	(61,523)	2,492,401	Issuance of 1,718,897 ordinary shares at RM1.45 per share

Name of subsidiary	Effective date of combination	Negative goodwill/ (goodwill) arising RM	Purchase consideration RM	Mode of settlement
Ornapaper Industry (Johor) Sdn. Bhd.	1 September 2004	59,326	1,122,018	Issuance of 773,806 ordinary shares at RM1.45 per share
Hello Paper Co. Ltd.	8 November 2004	-	309,075	Cash
		1,571,501	36,269,299	

(b) The acquisitions had the following effect on the Group's financial results for the year:

	2004 RM
Revenue	22,273,215
Loss from operations	(348,820)
Net loss for the year	(800,109)

(c) The acquisitions had the following effect on the financial position of the Group as at the end of the year:

	2004 RM
Property, plant and equipment	60,450,972
Goodwill on consolidation	1,571,501
Inventories	12,793,289
Trade and other receivables	24,327,764
Tax recoverable	571,014
Cash and bank balances	4,680,646
Borrowings	(32,186,811)
Trade and other payables	(20,560,204)
Deferred tax liabilities	(1,330,331)
Minority interests	(13,884,020)
Group's share of net assets	36,433,820

(d) The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:

	RM
Property, plant and equipment (Note 10)	20,957,281
Inventories	5,148,736
Trade and other receivables	20,424,633
Cash and bank balances	29,146,066
Tax recoverable	669,661
Borrowings	(12,728,970)
Trade and other payables	(12,691,733)
Deferred tax liabilities (Note 13)	(1,383,117)
Fair value of total net assets	49,542,557
Less : Minority interests	(14,256,193)
Group's share of net assets	35,286,364
Goodwill on consolidation (Note 26)	1,571,501
Cost of acquisition	36,857,865
Satisfied by:	
Cash	17,055,928
Ordinary shares issued at fair value (Note 22)	19,213,371
Total purchase consideration	36,269,299
Costs attributable to the acquisition, paid in cash	588,566
Total cost of acquisition	36,857,865
Cash inflow arising on acquisition:	
Purchase consideration satisfied by cash	17,055,928
Costs attributable to the acquisition, paid in cash	588,566
Total cash outflow of the Group	17,644,494
Cash and cash equivalents of subsidiaries acquired	(29,146,066)
Net cash inflow of the Group	(11,501,572)

There were no acquisitions in the financial year ended 31 December 2003.

12. OTHER INVESTMENTS

	Group 2004 RM	Group 2003 RM
At cost:		
Quoted shares	19,400	19,400
Unquoted shares	225,000	225,000
Club membership	25,000	25,000
	269,400	269,400
Market value of quoted shares	19,590	23,360

13. DEFERRED TAX ASSETS/LIABILITIES

	Group 2004 RM	Group 2003 RM	Company 2004 RM	Company 2003 RM
At 1 January	7,253,000	6,471,000	-	-
Acquisition of subsidiaries	1,383,117	-	-	-
Recognised in income statement (Note 7)	694,155	782,000	(20,340)	-
At 31 December	9,330,272	7,253,000	(20,340)	-

Presented after appropriate offsetting as follows:

	Group 2004 RM	Group 2003 RM	Company 2004 RM	Company 2003 RM
Deferred tax assets	(157,011)	-	(20,340)	-
Deferred tax liabilities	9,487,283	7,253,000	-	-
	9,330,272	7,253,000	(20,340)	-

The components and movements of deferred tax liabilities/(assets) during the financial year prior to offsetting are as follows:

Group		**Acquisition**	**Recognised**	
	As at	**of**	**in income**	**As at**
2004	**1 January**	**subsidiaries**	**statement**	**31 December**
Property, plant and equipment	7,540,000	1,526,722	686,718	9,753,440
Trade receivables	(287,000)	-	287,000	-
Unutilised tax loses	-	-	(175,384)	(175,384)
Unabsorbed capital allowances	-	(143,605)	(104,179)	(247,784)
	7,253,000	1,383,117	694,155	9,330,272
2003				
Property, plant and equipment	6,673,900	-	866,100	7,540,000
Trade receivables	(202,900)	-	(84,100)	(287,000)
Unutilised tax losses	-	-	-	-
Unabsorbed capital allowances	-	-	-	-
	6,471,000	-	782,000	7,253,000

Company		**Recognised**	
	As at	**in income**	**As at**
2004	**1 January**	**statement**	**31 December**
Unutilised tax losses	-	(20,340)	(20,340)
	-	(20,340)	(20,340)
2003			
Unutilised tax losses	-	-	-
	-	-	-

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2004	**2003**
	RM	**RM**
Unutilised tax losses	787,935	-

The unutilised losses is available indefinitely for offset against future taxable profits of the respective subsidiaries.

14. INVENTORIES

	Group	
	2004	**2003**
	RM	**RM**
At cost :		
Raw materials and consumables	24,199,377	13,982,067
Finished goods	1,687,472	773,308
	25,886,849	14,755,375

15. TRADE RECEIVABLES

	Group	
	2004	**2003**
	RM	**RM**
Trade receivables	56,060,346	46,330,403
Less : Provision for doubtful debts	(2,455,020)	(2,263,751)
	53,605,326	44,066,652
Related parties	478,086	-
	54,083,412	44,066,652

Related parties are those companies in which a director of a subsidiary has substantial financial interest.

The Group's normal credit term ranges from 30 to 120 days. Other credit terms are assessed and approved on a case-by-case basis. Overdue interest of 0.75% to 1.50% (2003 : 1.00% to 1.50%) per month is charged on the amount due from certain debtors exceeding credit terms.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or groups of debtors except for an amount due from two debtors which represents 26% (2003 : 31%) of the total gross debts. These said debtors have strategic alliances with the Group.

16. OTHER RECEIVABLES

	Group		Company	
	2004	**2003**	**2004**	**2003**
	RM	**RM**	**RM**	**RM**
Deposits and prepayments	1,291,618	668,981	15,682	65,682
Other receivables	3,209,007	3,512,761	-	-
Due from subsidiaries	-	-	10,833	14,656,043
	4,500,625	4,181,742	26,515	14,721,725

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or groups of debtors.

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004	**2003**	**2004**	**2003**
	RM	**RM**	**RM**	**RM**
Cash on hand and at banks	14,542,582	6,431,410	13,914	29,938
Deposit with a licensed bank	39,876	25,134	-	-
Cash and bank balances	14,582,458	6,456,544	13,914	29,938
Less: Bank overdrafts (Note 18)	(2,220,387)	-	-	-
	12,362,071	6,456,544	13,914	29,938

The deposit with a licensed bank of the Group has been pledged to secure bank guarantee facility granted to a subsidiary.

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

	Weighted Average Interest Rate		Average Maturity Days	
	2004	**2003**	**2004**	**2003**
Deposit with a licensed bank	4%	4%	365	365

18. BORROWINGS

	Group		Company	
	2004	**2003**	**2004**	**2003**
	RM	**RM**	**RM**	**RM**
Short Term Borrowings				
Secured :				
Bank overdrafts (Note 17)	2,220,387	-	-	-
Bankers' acceptances	48,548,399	38,361,605	-	-
Trust receipts	6,372,890	-	-	-
Term loans	6,611,399	-	-	-
Hire purchase payables (Note 19)	2,452,398	711,357	-	-
	66,205,473	39,072,962	-	-

	Group		Company	
	2004	**2003**	**2004**	**2003**
	RM	**RM**	**RM**	**RM**
Long Term Borrowings				
Secured :				
Term loans	23,885,317	-	2,660,000	-
Hire purchase payables (Note 19)	6,897,945	2,356,322	-	-
	30,783,262	2,356,322	2,660,000	-
Total Borrowings				
Bank overdrafts	2,220,387	-	-	-
Bankers' acceptances	48,548,399	38,361,605	-	-
Trust receipts	6,372,890	-	-	-
Term loans	30,496,716	-	2,660,000	-
Hire purchase payables	9,350,343	3,067,679	-	-
	96,988,735	41,429,284	2,660,000	-
Maturity of borrowings (excluding hire purchase):				
Within one year	63,753,075	38,361,605	-	-
More than one year and not later than 2 years	6,181,299	-	1,330,000	-
More than 2 years and not later than 5 years	6,278,744	-	1,330,000	-
Later than 5 years	11,425,274	-	-	-
	87,638,392	38,361,605	2,660,000	-

The weighted average interest effective rates at the balance sheet date for borrowings, excluding hire purchase payables, were as follows:

	Group		Company	
	2004	**2003**	**2004**	**2003**
	%	**%**	**%**	**%**
Bank overdrafts	7.25	7.00	-	-
Bankers' acceptances	3.18	3.56	-	-
Trust receipts	7.25	-	-	-
Term loans	4.21	-	4.87	-

The borrowings are secured by certain assets of the Group and a debenture covering fixed and floating charges over all the assets of a subsidiary as disclosed in Note 10 and additionally guaranteed by a director of a subsidiary and certain directors of the Company. The borrowing of the Company is additionally guaranteed by a subsidiary.

19. HIRE PURCHASE PAYABLES

	Group	
	2004	**2003**
	RM	**RM**
Minimum hire purchase payments :		
Within one year	3,172,006	985,470
Later than one year and not later than 2 years	3,047,772	819,048
Later than 2 years and not later than 5 years	4,747,152	1,948,301
	10,966,930	3,752,819
Less : Future finance charges	(1,616,587)	(685,140)
	9,350,343	3,067,679
Present value of hire purchase liabilities :		
Within one year	2,452,398	711,357
Later than one year and not later than 2 years	2,566,294	549,614
Later than 2 years and not later than 5 years	4,331,651	1,806,708
	9,350,343	3,067,679
Analysed as :		
Due within 12 months (Note 18)	2,452,398	711,357
Due after 12 months (Note 18)	6,897,945	2,356,322
	9,350,343	3,067,679

The hire purchase liabilities bore interest at the balance sheet date of between 3.30% to 5.50% (2003 : 4.75% to 7.25%) per annum.

20. TRADE PAYABLES

The credit terms granted to the Group range from 30 to 120 days.

21. OTHER PAYABLES

	Group		Company	
	2004	**2003**	**2004**	**2003**
	RM	**RM**	**RM**	**RM**
Due to a subsidiary	-	-	3,057,022	-
Supplier of property, plant and equipment	687,600	-	-	-
Other payables and accruals	3,736,840	2,224,353	51,000	51,000
	4,424,440	2,224,353	3,108,022	51,000

The amount due to a subsidiary is unsecured, bore interest of 1.2% (2003 : Nil) per annum and has no fixed terms of repayment.

22. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2004	**2003**	**2004 RM**	**2003 RM**
Authorised				
At 1 January/31 December	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
At 1 January	62,000,000	54,000,000	62,000,000	54,000,000
Issued during the year:				
Pursuant to public listing	-	8,000,000	-	8,000,000
Acquisition of subsidiaries	13,250,601	-	13,250,601	-
At 31 December	75,250,601	62,000,000	75,250,601	62,000,000

During the financial year, the Company issued 13,250,601 new ordinary shares of RM1 each at an issue price of RM1.45 per ordinary share amounting to RM19,213,371 as purchase consideration for the acquisition of 3 subsidiaries, namely, Ornapaper Industry (Perak) Sdn. Bhd., Tripack Packaging (M) Sdn. Bhd. and Ornapaper Industry (Johor) Sdn. Bhd. [Note 11(a)]. The new ordinary shares rank pari passu in all respects with the existing ordinary shares.

23. SHARE PREMIUM

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

24. FOREIGN EXCHANGE RESERVE

This non-distributable reserve comprises all foreign exchange differences arising from the translation of the financial statements of consolidated foreign subsidiaries.

25. RETAINED PROFITS

As at 31 December 2004, the Company has tax exempt profits available for distribution of approximately RM309,000 (2003: RM3,409,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2004.

26. NEGATIVE GOODWILL ON CONSOLIDATION

Group	Negative Goodwill RM	Goodwill RM	Total RM
At 1 January 2003	4,753,667	-	4,753,667
At 31 December 2003	4,753,667	-	4,753,667
Acquisition of subsidiaries (Note 11)	61,523	(1,633,024)	(1,571,501)
At 31 December 2004	4,815,190	(1,633,024)	3,182,166

27. COMMITMENT

	Group	
	2004 RM	2003 RM
(a) Capital Commitments		
Capital expenditure approved and contracted for:		
Property, plant and equipment	2,578,000	1,044,000
(b) Non-Cancellable Operating Lease Commitments		
Future minimum rentals payable:		
Later than 5 years	784,000	-

Operating lease payments represents rentals payable by a subsidiary for use of land. The subsidiary is exempted from land rental during the pre-operating period and for the following 7 years after it commences operation.

28. CONTINGENT LIABILITIES

	Company	
	2004	**2003**
	RM	**RM**
Unsecured corporate guarantees given to bank for credit facilities granted to subsidiaries	54,070,000	2,906,000

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group	
	2004	**2003**
	RM	**RM**
Sales to Perfect Food Manufacturing (M) Sdn. Bhd., a company in which Sai Chin Hock, a former director of the Company, has indirect interest	1,805,080	845,278
Sales to Poh Huat Furniture Industries (M) Sdn. Bhd., a company in which Tay Kim Huat, a director of a subsidiary, has indirect interest	867,649	-
Sales to Poh Huat Woodwork (M) Sdn. Bhd., a company in which Tay Kim Huat, a director of a subsidiary, has indirect interest	64,263	-

Significant transactions with subsidiaries have not been disclosed as the Company's financial statements are made available with the consolidated financial statements.

The directors are of the opinion that the transaction above has been entered into in the normal course of business and has been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

30. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Company had no substantial long-term interest-bearing assets as at 31 December 2004.

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

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

(c) Foreign Exchange Risk

The Group operates regionally and is exposed to various currencies, mainly United States Dollars. Foreign currency denominated liabilities together with expected cash flows to highly probable purchases give rise to foreign exchange exposures.

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

	Financial Assets/(Liabilities)	
	2004	**2003**
	RM	**RM**
Trade receivables	96,910	116
Trade payables	(4,018,535)	-
Other payables	(140,359)	(34,565)
Term loan	(29,544,001)	-
	(33,605,985)	(34,449)

(d) Liquidity Risk

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

(e) Credit Risk

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

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments except as disclosed in Note 15.

(f) Fair Values

The carrying amounts of financial assets and liabilities approximate their fair values.

31. SEGMENT INFORMATION

(a) Primary reporting segment - Geographical segments

The Group operates in two principal geographical areas in the Asia-Pacific region commencing from financial year ended 31 December 2004 and is principally involved in manufacturing of corrugated board and carton boxes.

	Malaysia RM	Vietnam RM	Others RM	Group RM
Revenue				
External sales	135,838,486	-	1,207	135,839,693
Results				
Profit/(loss) from operations	4,225,431	(646,545)	(11,415)	3,567,471
Interest income	473,989	7,645	-	481,634
Interest expense	(2,821,121)	(149,035)	-	(2,970,156)
Profit/(loss) before taxation	1,878,299	(787,935)	(11,415)	1,078,949
Taxation	(727,643)	-	-	(727,643)
Net profit/(loss) for the year	1,150,656	(787,935)	(11,415)	351,306
Minority interests	11,635	354,571	5,436	371,642
	1,162,291	(433,364)	(5,979)	722,948

	Malaysia RM	Vietnam RM	Others RM	Group RM
Assets/Liabilities				
Segment Assets	180,758,272	52,950,230	642,936	234,351,438
Segment Liabilities	101,050,210	23,286,306	64,463	124,400,979
Other information				
Capital expenditure	7,514,574	40,147,188	58,650	47,720,412
Depreciation	5,028,649	24,888	1,088	5,054,625
Other non-cash expenses	167,547	-	-	167,547

(b) Secondary reporting segment - Business segments

The Group is principally involved in the manufacturing of corrugated board and carton boxes and trading of wrapping paper materials. As the trading segment is not of sufficient size to be reported separately, segment reporting by business segments is not prepared.