Company No. : 573695 W

ORNAPAPER BERHAD
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2006

Company No. : 573695 W

ORNAPAPER BERHAD (Incorporated in Malaysia)

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ORNAPAPER BERHAD (Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

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
Loss for the year	(6,392,202)	(12,039,428)
Attributable to:		
Equity holders of the Company	(3,018,783)	(12,039,428)
Minority interests	(3,373,419)	-
	(6,392,202)	(12,039,428)

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

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

DIVIDENDS

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

Company No. : 573695 W

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	(resigned on 23 April 2007)
Tuan Haji Azhar bin Nayan	
See Wan Seng	
Siow Kee Yen	
Adillah binti Ahmad Nordin	
Ang Kwee Teng	
Lim Tau Lih	(appointed on 30 October 2006)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 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			
	1.1.2006/At Date of Appointment	**Acquired**	**Sold**	**31.12.2006**
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
Lim Tau Lih	5,374,045	-	-	5,374,045

	Number of Ordinary Shares of RM1 Each			
	1.1.2006/At Date of Appointment	**Acquired**	**Sold**	**31.12.2006**
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.

OTHER STATUTORY INFORMATION

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

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

  (ii) to ensure that any current assets which were unlikely to realise their 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) render the amount written off as bad debts or the amount provided for as doubtful debts inadequate to any substantial extent; and

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

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

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

ORNAPAPER BERHAD (Incorporated in Malaysia)
DIRECTORS' REPORT

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

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

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

(f) In the opinion of the directors:-

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

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

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 April 2007.

LIM TAU LIH

SEE WAN SENG

Company No. : 573695 W

ORNAPAPER BERHAD (Incorporated in Malaysia)

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

We, LIM TAU LIH 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 8 to 53 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 April 2007.

LIM TAU LIH

SEE WAN SENG

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

I, LIM TAU LIH, being the director primarily responsible for the financial management of ORNAPAPER BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 53 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed LIM TAU LIH at Melaka in the)
State of Melaka on 24 April 2007)

LIM TAU LIH

Before me,

CHOO YONG CHUAN
PESURUHJAYA SUMPAH
(COMMISSIONER FOR OATHS)
508-A, Taman Melaka Raya,
75000 Melaka.

PESURUHJAYA SUMPAH
NO. M. 031
CHOO YONG CHUAN
MALAYSIA

ERNST & YOUNG
AF: 0039

■ Chartered Accountants
Lot 1, 6th Floor
Menara Pertam, Jalan BBP 2
Taman Batu Berendam Putra
Batu Berendam
75350 Melaka, Malaysia

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

We have audited the accompanying financial statements set out on pages 8 to 53. 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 content 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 for Entities Other Than Private Entities 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 2006 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
AF: 0039

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 12 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

WUN MOW SANG
1821/12/08(J)
Partner

Melaka, Malaysia
Date: 24 April 2007

Company No. : 573695 W

ORNAPAPER BERHAD (Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Continuing Operations					
Revenue	3	204,278,611	178,474,294	377,270	718,175
Cost of sales		(181,107,495)	(159,043,818)	-	-
Gross profit		23,171,116	19,430,476	377,270	718,175
Other income		3,995,850	2,261,045	185,309	334
Administrative expenses		(9,118,196)	(8,501,476)	(319,705)	(216,596)
Selling and marketing expenses		(11,950,408)	(12,178,422)	(1,716)	(2,910)
Other expenses		(6,026,476)	(5,505,509)	(12,095,144)	(74,419)
Operating profit/(loss)		71,886	(4,493,886)	(11,853,986)	424,584
Interest expense		(6,748,988)	(5,411,963)	(185,442)	(155,950)
(Loss)/Profit before tax	4	(6,677,102)	(9,905,849)	(12,039,428)	268,634
Income tax expense	7	284,900	(540,693)	-	(118,000)
(Loss)/Profit for the year		(6,392,202)	(10,446,542)	(12,039,428)	150,634
Attributable to:					
Equity holders of the Company		(3,018,783)	(5,664,446)	(12,039,428)	150,634
Minority interests		(3,373,419)	(4,782,096)	-	-
		(6,392,202)	(10,446,542)	(12,039,428)	150,634
Basic loss per share attributable to equity holders of the Company (sen)	8	(4.0)	(7.5)		

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 2006

		Group		Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
ASSETS					
Non-current assets					
Property, plant and equipment	9	132,591,553	146,849,508	-	-
Investment property	10	418,477	427,712	-	-
Goodwill	11	1,633,024	-	-	-
Investment in subsidiaries	12	-	-	84,497,035	96,497,035
Other investments	13	276,928	277,541	-	-
Deferred tax assets	14	91,036	125,523	20,340	20,340
		135,011,018	147,680,284	84,517,375	96,517,375
Current assets					
Inventories	15	23,958,078	24,725,581	-	-
Trade receivables	16	76,543,814	74,554,533	-	-
Other receivables	17	3,545,207	2,870,222	48,014	37,844
Tax recoverable		1,585,424	1,666,293	130,595	116,631
Cash and bank balances	18	6,352,591	6,557,356	102,098	16,534
		111,985,114	110,373,985	280,707	171,009
TOTAL ASSETS		246,996,132	258,054,269	84,798,082	96,688,384
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	19	75,250,601	75,250,601	75,250,601	75,250,601
Share premium	20	11,155,900	11,155,900	11,155,900	11,155,900
Foreign exchange reserve	21	(1,699,820)	(479,126)	-	-
Retained earnings/ (Accumulated losses)	22	2,605,311	808,904	(11,586,581)	452,847
Shareholders' equity		87,311,992	86,736,279	74,819,920	86,859,348
Minority interests		7,734,734	12,499,412	-	-
Total equity		95,046,726	99,235,691	74,819,920	86,859,348
Negative goodwill	11	-	3,182,166	-	-
		95,046,726	102,417,857	74,819,920	86,859,348

Company No. : 573695 W

ORNAPAPER BERHAD (Incorporated in Malaysia)
BALANCE SHEETS

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Non-current liabilities					
Long-term borrowings	23	24,124,193	31,063,538	1,972,526	2,128,000
Deferred tax liabilities	14	9,512,451	9,922,904	-	-
Non-current liabilities		33,636,644	40,986,442	1,972,526	2,128,000
Current liabilities					
Short term borrowings	23	77,627,464	84,429,003	246,568	532,000
Trade payables	25	32,960,241	22,407,088	-	-
Other payables	26	7,706,536	7,787,700	7,759,068	7,169,036
Tax payable		18,521	26,179	-	-
		118,312,762	114,649,970	8,005,636	7,701,036
Total liabilities		151,949,406	155,636,412	9,978,162	9,829,036
TOTAL EQUITY AND LIABILITIES		246,996,132	258,054,269	84,798,082	96,688,384

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

ORNAPAPER BERHAD (Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Attributable to Equity Holders of the Company					Minority Interests	Total Equity
		Non-Distributable		Distributable			
	Share capital (Note 19)	Share premium (Note 20)	Foreign exchange reserve (Note 21)	Retained earnings (Note 22)	Total		
	RM	RM	RM	RM	RM	RM	RM
Group							
At 1 January 2005	75,250,601	11,155,900	3,891	6,473,350	92,883,742	13,884,551	106,768,293
Foreign currency translation, representing net expense recognised directly in equity	-	-	(483,017)	-	(483,017)	-	(483,017)
Loss for the year	-	-	-	(5,664,446)	(5,664,446)	(4,782,096)	(10,446,542)
Total recognised income and expense for the year	-	-	(483,017)	(5,664,446)	(6,147,463)	(4,782,096)	(10,929,559)
Additional investment in subsidiary	-	-	-	-	-	3,396,957	3,396,957
At 31 December 2005	75,250,601	11,155,900	(479,126)	808,904	86,736,279	12,499,412	99,235,691

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

	Attributable to Equity Holders of the Company					Minority Interests	Total Equity
	Non-Distributable			Distributable			
	Share capital (Note 19)	Share premium (Note 20)	Foreign exchange reserve (Note 21)	Retained earnings (Note 22)	Total		
	RM	RM	RM	RM	RM	RM	RM
At 1 January 2006	75,250,601	11,155,900	(479,126)	808,904	86,736,279	12,499,412	99,235,691
Effects of adopting FRS 3 (Note 11)	-	-	-	4,815,190	4,815,190	-	4,815,190
	75,250,601	11,155,900	(479,126)	5,624,094	91,551,469	12,499,412	104,050,881
Foreign currency translation, representing net expense recognised directly in equity	-	-	(1,220,694)	-	(1,220,694)	(1,391,259)	(2,611,953)
Loss for the year	-	-	-	(3,018,783)	(3,018,783)	(3,373,419)	(6,392,202)
Total recognised income and expense for the year	-	-	(1,220,694)	(3,018,783)	(4,239,477)	(4,764,678)	(9,004,155)
At 31 December 2006	75,250,601	11,155,900	(1,699,820)	2,605,311	87,311,992	7,734,734	95,046,726

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

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ORNAPAPER BERHAD (Incorporated in Malaysia)
STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Company			
	Non-Distributable		Distributable	
	Share capital (Note 19) RM	Share premium (Note 20) RM	Retained earnings/ (Accumulated Losses) (Note 22) RM	Total RM
Company				
At 1 January 2005	75,250,601	11,155,900	302,213	86,708,714
Profit for the year, representing total recognised income and expense for the year	-	-	150,634	150,634
At 31 December 2005	75,250,601	11,155,900	452,847	86,859,348
Loss for the year, representing total recognised income and expense for the year	-	-	(12,039,428)	(12,039,428)
At 31 December 2006	75,250,601	11,155,900	(11,586,581)	74,819,920

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

Company No. : 573695 W

ORNAPAPER BERHAD (Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax	(6,677,102)	(9,905,849)	(12,039,428)	268,634
Adjustments for :				
Depreciation of property, plant and equipment	9,552,074	9,255,522	-	-
Gain on disposal of property, plant and equipment	(55,795)	(144,411)	-	-
Impairment loss on investment in subsidiary	-	-	12,000,000	-
Reversal of provision for doubtful debts	(77,064)	(309,455)	-	-
Net unrealised foreign exchange gains	(182,494)	-	(174,906)	-
Depreciation of investment property	9,235	9,235		
Bad debts written off	3,394	11,417	-	-
Dividend income	(819)	(792)	(227,270)	(568,175)
Interest expense	6,748,988	5,411,963	185,442	155,950
Interest income	(594,770)	(464,922)	(341)	(334)
Operating profit/(loss) before working capital changes	8,725,647	3,862,708	(256,503)	(143,925)
Decrease in inventories	767,503	1,161,268	-	-
Increase in receivables	(2,590,596)	(18,542,680)	(10,170)	(11,329)
Increase in payables	10,308,864	12,476,195	590,032	4,061,014
Cash generated from/(used in) operations	17,211,418	(1,042,509)	323,359	3,905,760
Interest paid	(6,748,988)	(5,411,963)	(185,442)	(155,950)
Interest received	594,770	464,922	341	334
Taxes (paid)/refund	(17,855)	(691,565)	49,672	8,140
Net cash from/(used in) operating activities	11,039,345	(6,681,115)	187,930	3,758,284

Company No. : 573695 W

ORNAPAPER BERHAD (Incorporated in Malaysia)
CASH FLOW STATEMENTS

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM INVESTING ACTIVITIES				
Additional investment in subsidiary	-	3,396,957	-	(4,164,750)
Net dividends received	819	792	163,634	409,086
Decrease/(increase) in other investments	613	(8,141)	-	-
Proceeds from disposal of property, plant and equipment	842,026	364,562	-	-
Purchase of property, plant and equipment	(1,585,480)	(16,581,386)	-	-
Net cash (used in)/from investing activities	(742,022)	(12,827,216)	163,634	(3,755,664)
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of term loans	-	7,805,239	-	-
Repayment of term loans	(17,578,586)	(6,803,956)	(266,000)	-
Repayment of hire purchase	(3,626,547)	(2,923,930)	-	-
Short term borrowings	(639,953)	11,485,143	-	-
Net cash (used in)/from financing activities	(21,845,086)	9,562,496	(266,000)	-
CASH AND CASH EQUIVALENTS				
Net (decrease)/increase	(11,547,763)	(9,945,835)	85,564	2,620
Effect of foreign exchange rate changes	2,893,177	183,443	-	-
At beginning of year	2,599,679	12,362,071	16,534	13,914
At end of year (Note 18)	(6,054,907)	2,599,679	102,098	16,534

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

1. CORPORATE INFORMATION

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 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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 April 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia.

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

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

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

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

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

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

(b) Goodwill

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

(c) Property, Plant and Equipment and Depreciation

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

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

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%

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

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

(d) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated. Other investment properties are depreciated on a straight line basis over the estimated useful life of 50 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(e) Impairment of Non-financial Assets

The carrying amounts of assets, other than investment property, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

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

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

An impairment loss is recognised in profit or loss in the period in which it arises.

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

(f) Inventories

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

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

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

(g) Financial Instruments

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

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

(i) Cash and Cash Equivalents

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

(ii) Other Non-Current Investments

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

(iii) 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 profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

(iv) 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.

(v) 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.

(vi) Interest-Bearing Borrowings

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

(vii) Equity Instruments

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

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

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(h) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

(ii) Finance Leases - the Group as Lessee

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

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

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

(iii) Operating Leases - the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

(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 as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(j) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contributions Plans

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

(k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

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

(ii) Dividend Income

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

(iii) Management Fee

Management fee is recognised when service is rendered.

(l) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated 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 translated.

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

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

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The Group has not early adopted the following FRSs that have been issued by MASB but are not effective yet for the Group in the current financial year:

FRS 117	Leases
FRS 124	Related Party Disclosures
FRS 139	Financial Instruments : Recognition and measurement

At the date of authorisation of these financial statements, the following FRS, amendments to FRS and Interpretations were in issue but not yet effective :

(i) FRS 6 : Exploration for and Evaluation of Mineral Resources
(ii) Amendment to FRS 119_{2004} : Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
(iii) Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
(iv) IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
(v) IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
(vi) IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
(vii) IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

(viii) IC Interpretation 7: Applying the Restatement Approach under FRS 129$_{2004}$ Financial Reporting in Hyperinflationary Economies
(ix) IC Interpretation 8: Scope of FRS 2

The adoption of the above FRS, amendments to FRS and Interpretations does not give rise to any impact to these financial statements as they are not relevant to the Group.

The adoption of FRS 2, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132 and 133 does not result in significant changes in accounting policies of the Group. The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed below:

(a) FRS 3 : Business Combinations, FRS 136 : Impairment of Assets and FRS 138 : Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

(i) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill).

Prior to 1 January 2006, negative goodwill was stated at cost and offsetted against goodwill which was stated at cost less impairment losses. Negative goodwill and goodwill are not amortised. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM4,815,190 will be derecognised with a corresponding increase in retained earnings.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The effects on the consolidated balance sheet as at 31 December 2006 are set out in Note 2.3(d). There were no effects on the consolidated income statement for the year ended 31 December 2006 and the Company's financial statements.

(ii) Accounting for acquisitions

Prior to 1 January 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably. In addition, the Group was previously allowed to recognise restructuring provisions in connection with an acquisition regardless of whether the acquiree had recognised such provisions. Upon the adoption of FRS 3, the Group is now permitted to recognise such provisions only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with FRS 137.

The change did not materially affect the financial statements of the Group and the Company.

(b) FRS 101 : Presentation of Financial Statements

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as ar allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(e), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 December 2006 are set out in Note 2.3(d). There were no effects on the consolidated income statement for the year ended 31 December 2006 and the Company's financial statements.

(c) FRS 140: Investment Property

Prior to 1 January 2006, investment properties were classified as property, plant and equipment and measured at cost less accumulated depreciation. The adoption of FRS 140 required properties that qualified as investment properties to be reclassified from property, plant and equipment to investment property. The Group adopted the cost model to measure its investment property. Under the cost model, investment property is measured at cost less accumulated depreciation and impairment losses.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(e), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 December 2006 are set out in Note 2.3(d). There were no effects on the consolidated income statement for the year ended 31 December 2006 and the Company's financial statements.

(d) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheet as at 31 December 2006 is higher or lower than it would have been had the previous policies been applied in the current year.

Effects on balance sheet as at 31 December 2006

Description of Change	FRS 3 Note 2.3(a)(i) RM	Increase/(Decrease) FRS 101 Note 2.3(b) RM	FRS 140 Note 2.3(c) RM	Total RM
Group				
Negative goodwill	(4,815,190)	-	-	(4,815,190)
Retained earnings	4,815,190	-	-	4,815,190
Property, plant and equipment	-	-	(418,477)	(418,477)
Investment property	-	-	418,477	418,477
Total equity	-	7,734,734	-	7,734,734

(e) Restatement of comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

Description of Change	Previously Stated RM	Increase/(Decrease) FRS 101 Note 2.3(b) RM	FRS 140 Note 2.3(c) RM	Restated RM
Group				
Property, plant and equipment	147,277,220	-	(427,712)	146,849,508
Investment property	-	-	427,712	427,712
Total equity	86,736,279	12,499,412	-	99,235,691

2.4 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Key Sources of Estimation Uncertainty

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

(i) Impairment of goodwill

The Group determines whether goodwill are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 December 2006 were RM1,633,024 (2005: RM1,633,024) . Further details are disclosed in Note 11.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances 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. The total carrying value of recognised tax losses and capital allowances of the Group was RM466,328 (2005: RM692,300) and the unrecognised tax losses of the Group was RM17,789,583 (2005: RM10,337,003).

(iii) Depreciation of plant and machinery

The cost of plant and machinery for the manufacture of corrugated boards and carton boxes is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 20 years. These are common life expectancies applied in the corrugator industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

3. REVENUE

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Sales of goods	204,278,611	178,474,294	-	-
Dividend income from subsidiary	-	-	227,270	568,175
Management fees from subsidiaries	-	-	150,000	150,000
	204,278,611	178,474,294	377,270	718,175

4. (LOSS)/PROFIT BEFORE TAX

The following amounts have been included at arriving at (loss)/profit before tax:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Employee benefits expense (Note 5)	21,336,170	18,302,980	107,930	107,930
Non-executive directors' remuneration (Note 6)	101,500	97,500	71,500	67,500
Auditors' remuneration	235,991	204,621	75,250	32,000
- statutory audit				
- current year	145,859	161,406	25,000	25,000
- (over)/underprovision in prior year	(4,300)	(3,000)	9,250	-
- other services	94,432	46,215	41,000	7,000

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Reversal of provision for doubtful debts	(77,064)	(309,455)	-	-
Bad debts written off	3,394	11,417	-	-
Net foreign exchange (gains)/losses	(321,772)	237,459	(184,968)	-
Impairment loss on investment in subsidiary	-	-	12,000,000	-
Depreciation of property, plant and equipment	9,552,074	9,255,522	-	-
Depreciation of investment property	9,235	9,235	-	-
Gain on disposal of property, plant and equipment	(55,795)	(144,411)	-	-
Operating leases:	603,701	642,346	-	-
-minimum lease payments for land and buildings	590,501	638,746	-	-
-minimum lease payments for plant and machineries	13,200	3,600	-	-
Rental receivable from operating leases	(175,100)	(31,600)	-	-
Gross dividend	(819)	(792)	(227,270)	(568,175)
Interest income	(594,770)	(464,922)	(341)	(334)

5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Salaries and wages	16,116,441	13,645,214	96,000	96,000
Contribution to defined contribution plan	1,170,219	1,082,758	11,520	11,520
Other benefits	4,049,510	3,575,008	410	410
	21,336,170	18,302,980	107,930	107,930

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,213,388 (2005: RM1,280,167) and RM40,500 (2005: RM37,500) respectively as further disclosed in Note 6.

6. DIRECTORS' REMUNERATION

Details of remuneration receivable by directors of the Company and of the subsidiaries during the year are as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Executive directors' remuneration (Note 5):				
Fees	120,000	120,000	30,000	30,000
Other emoluments	1,093,388	1,160,167	10,500	7,500
	1,213,388	1,280,167	40,500	37,500
Non-Executive (Note 4):				
Fees	92,500	90,000	62,500	60,000
Other emoluments	9,000	7,500	9,000	7,500
	101,500	97,500	71,500	67,500
Total directors' remuneration	1,314,888	1,377,667	112,000	105,000
Estimated money value of benefits-in-kind	63,140	105,427	-	-
Total directors' remuneration including benefits-in-kind	1,378,028	1,483,094	112,000	105,000

Details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Executive:				
Salaries and other emoluments	650,131	593,880	10,500	7,500
Defined contribution plan	71,622	69,849	-	-
Fees	120,000	120,000	30,000	30,000
Estimated money value of benefits-in-kind	63,140	105,427	-	-
	904,893	889,156	40,500	37,500
Non-Executive:				
Fees	92,500	90,000	62,500	60,000
Other emoluments	9,000	7,500	9,000	7,500
	101,500	97,500	71,500	67,500
	1,006,393	986,656	112,000	105,000

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:

	2006	2005
Executive directors:		
RM50,001 - RM100,000	2	1
RM200,001 - RM250,000	1	1
RM500,001 - RM550,000	1	1
Non-executive directors:		
Below RM50,000	3	3

7. INCOME TAX EXPENSE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Income tax:				
Current Malaysian income tax	77,622	74,699	-	118,000
Current foreign tax	13,444	-	-	-
Overprovision in prior years	-	(1,115)	-	-
	91,066	73,584	-	118,000
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences	596,916	431,393	-	-
Relating to reduction in income tax rate	(751,742)	-	-	-
(Over)/Underprovision in prior years	(221,140)	35,716	-	-
	(375,966)	467,109	-	-
	(284,900)	540,693	-	118,000

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005 : 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to (loss)/profit before tax 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	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
(Loss)/profit before tax	(6,677,102)	(9,905,849)	(12,039,428)	268,634
Taxation at 28% (2005 : 28%)	(1,869,589)	(2,773,638)	(3,371,040)	75,218
Effect of different tax rate in other countries	1,727,331	2,375,043	-	-
Effect of changes in tax rates on opening balance of deferred tax	(377,732)	-	-	-
Deferred tax asset recognised at different tax rates	(374,010)	-	-	-
Effect of expenses not deductible for tax purposes	551,022	614,556	3,371,040	42,782
Effect of utilisation of previously unrecognised reinvestment allowances	(93,411)	-	-	-
Effect of income not subject to tax	-	(10,080)	-	-
Deferred tax asset not recognised on unutilised losses	372,629	300,211	-	-
Overprovision of current tax in prior years	-	(1,115)	-	-
(Over)/underprovision of deferred tax in prior years	(221,140)	35,716	-	-
Income tax expense for the year	(284,900)	540,693	-	118,000

8. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company of RM3,018,783 (2005 : RM5,664,446) by the weighted average number of 75,250,601 (2005 : 75,250,601) ordinary shares in issue during the financial year.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings* RM	Plant and machinery RM	Other assets RM	Total RM
Group				
At 31 December 2006				
Cost				
At 1 January 2006	65,094,655	121,887,822	12,036,970	199,019,447
Additions	381,524	927,252	276,704	1,585,480
Disposals	-	(314,724)	(962,337)	(1,277,061)
Exchange differences	(1,886,690)	(3,825,647)	(215,882)	(5,928,219)
At 31 December 2006	63,589,489	118,674,703	11,135,455	193,399,647
Accumulated depreciation				
At 1 January 2006	6,645,600	38,683,703	6,840,636	52,169,939
Charge for the year	1,369,029	6,930,186	1,252,859	9,552,074
Disposals	-	(288,928)	(201,902)	(490,830)
Exchange differences	(35,214)	(343,902)	(43,973)	(423,089)
At 31 December 2006	7,979,415	44,981,059	7,847,620	60,808,094
Net carrying amount	55,610,074	73,693,644	3,287,835	132,591,553
At 31 December 2005				
Cost				
At 1 January 2005	52,574,643	108,830,089	15,673,486	177,078,218
Additions	5,955,170	13,865,433	3,964,803	23,785,406
Disposals	-	(175,710)	(1,001,620)	(1,177,330)
Reclassification	6,670,565	(158,119)	(6,512,446)	-
Exchange differences	(105,723)	(473,871)	(87,253)	(666,847)
At 31 December 2005	65,094,655	121,887,822	12,036,970	199,019,447

	Land and buildings* RM	Plant and machinery RM	Other assets RM	Total RM
Accumulated depreciation				
At 1 January 2005	5,500,402	31,847,317	6,524,264	43,871,983
Charge for the year	1,145,198	6,866,707	1,243,617	9,255,522
Disposals	-	(28,085)	(929,094)	(957,179)
Reclassification	-	(2,236)	2,236	-
Exchange differences	-	-	(387)	(387)
At 31 December 2005	6,645,600	38,683,703	6,840,636	52,169,939
Net carrying amount	58,449,055	83,204,119	5,196,334	146,849,508

*** LAND AND BUILDINGS OF THE GROUP**

	Long term leasehold land RM	Short term leasehold land RM	Factory buildings RM	Total RM
At 31 December 2006				
Cost				
At 1 January 2006	11,129,470	4,012,209	49,952,976	65,094,655
Additions	-	-	381,524	381,524
Exchange differences	-	-	(1,886,690)	(1,886,690)
At 31 December 2006	11,129,470	4,012,209	48,447,810	63,589,489
Accumulated depreciation				
At 1 January 2006	822,757	394,917	5,427,926	6,645,600
Charge for the year	129,527	63,618	1,175,884	1,369,029
Exchange differences	-	-	(35,214)	(35,214)
At 31 December 2006	952,284	458,535	6,568,596	7,979,415
Net carrying amount	10,177,186	3,553,674	41,879,214	55,610,074

	Long term leasehold land RM	Short term leasehold land RM	Factory buildings RM	Total RM
At 31 December 2005				
Cost				
At 1 January 2005	11,129,470	4,012,209	37,432,964	52,574,643
Additions	-	-	5,955,170	5,955,170
Reclassification	-	-	6,670,565	6,670,565
Exchange differences	-	-	(105,723)	(105,723)
At 31 December 2005	11,129,470	4,012,209	49,952,976	65,094,655
Accumulated depreciation				
At 1 January 2005	693,230	302,184	4,504,988	5,500,402
Charge for the year	129,527	92,733	922,938	1,145,198
At 31 December 2005	822,757	394,917	5,427,926	6,645,600
Net carrying amount	10,306,713	3,617,292	44,525,050	58,449,055

(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 RM102,706 (2005 : RM791,915).

(b) Net book value of property, plant and equipment pledged to financial institutions for bank borrowings as referred to in Note 23 are as follow:

	Group 2006 RM	Group 2005 RM
Long term leasehold land	10,177,186	10,292,156
Short term leasehold land	3,553,674	3,631,849
Factory buildings	41,879,213	44,952,762
Plant and machinery	72,917,925	82,260,340
Others	3,287,836	2,551,960
	131,815,834	143,689,067

(c) The cost of property, plant and equipment purchased during the financial year of RM1,585,480 (2005 : RM23,785,406) includes an amount of RM Nil (2005 : RM7,204,020) 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	
	2006	**2005**
	RM	**RM**
Plant and machinery	15,216,605	16,556,500
Motor vehicles	804,791	1,361,951
	16,021,396	17,918,451

10. INVESTMENT PROPERTY

	2006	**2005**
	RM	**RM**
Cost		
At 1 January/31 December	461,742	461,742
Accumulated Depreciation		
At 1 January	34,030	24,795
Charge for the year	9,235	9,235
At 31 December	43,265	34,030
Net Carrying Amount	418,477	427,712

The investment property is pledged to financial institutions for bank borrowings as referred to in Note 23.

Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The fair value of the Group's investment properties as at 31 December 2006 is RM420,000.

11. GOODWILL/(NEGATIVE GOODWILL)

Group	**Negative Goodwill RM**	**Goodwill RM**	**Total RM**
At 1 January 2005/31 December 2005	(4,815,190)	1,633,024	(3,182,166)
Effects of adopting FRS 3 (Note 2.3(a)(i))	4,815,190	-	4,815,190
At 31 December 2006	-	1,633,024	1,633,024

Impairment tests for goodwill

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

	2006 RM	**2005 RM**
Ornapaper Industry (Perak) Sdn. Bhd.	1,573,698	1,573,698
Ornapaper Industry (Johor) Sdn. Bhd.	59,326	59,326
	1,633,024	1,633,024

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used for value-in-use calculations are:

	Gross Margin 2006	**Growth Rate 2006**	**Discount Rate 2006**
Ornapaper Industry (Perak) Sdn. Bhd.	18%	4%	8%
Ornapaper Industry (Johor) Sdn. Bhd.	14%	2%	8%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill :

(i) Budgeted gross margin
The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

(ii) Growth rate
The weighted average growth rates used are consistent with past experience.

(iii) Discount rate
The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

(iv) Bond rate
The bond rates used are the yield on a 5-year Malaysian government bond rate at the beginning of the budgeted year.

The Group believes that any reasonably possible change in the above key assumptions applied are not likely to materially cause recoverable amount to be lower than its carrying amount.

12. INVESTMENT IN SUBSIDIARIES

	Company 2006 RM	Company 2005 RM
Unquoted shares at cost	96,497,035	96,497,035
Less: Accumulated impairment losses	(12,000,000)	-
	84,497,035	96,497,035

Details of the subsidiaries are as follows :

Name of Subsidiaries	Country of Incorporation	Proportion of Ownership Interest (%) 2006	Proportion of Ownership Interest (%) 2005	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	100	Manufacturing of corrugated boards and carton boxes
Ornapaper Industry (Johor) Sdn. Bhd.*	Malaysia	80	80	Manufacturing of carton boxes
Tripack Packaging (M) Sdn. Bhd.*	Malaysia	100	100	Manufacturing of cartons boxes
Ornapaper Vietnam Co. Ltd.*#	Vietnam	55	55	Manufacturing of corrugated boards and carton boxes
Subsidiary of Ornapaper Industry (M) Sdn. Bhd.				
Hello Paper Co Ltd.*	Republic of China	52	52	Trading of wrapping paper materials

* Not audited by Ernst & Young

The auditors' reports on the financial statements of Ornapaper Vietnam Co. Ltd. emphasised that the continuance of the subsidiary as going concern depends on the investor continuing to provide financial assistance as is necessary to enable the entity to meet its liabilities as and when they fall due and to maintain the entity in existence as a going concern for the foreseeable future.

13. OTHER INVESTMENTS

	Group	
	2006	**2005**
	RM	**RM**
At cost:		
Quoted shares	19,400	19,400
Unquoted shares	225,000	225,000
Club membership	25,000	25,000
Others	7,528	8,141
	276,928	277,541
Market value of quoted shares	35,170	14,840

14. DEFERRED TAX ASSETS/LIABILITIES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
At 1 January	9,797,381	9,330,272	(20,340)	(20,340)
Recognised in income statement (Note 7)	(375,966)	467,109	-	-
At 31 December	9,421,415	9,797,381	(20,340)	(20,340)

Presented after appropriate offsetting as follows:

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Deferred tax assets	(91,036)	(125,523)	(20,340)	(20,340)
Deferred tax liabilities	9,512,451	9,922,904	-	-
	9,421,415	9,797,381	(20,340)	(20,340)

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

Group		**Recognised**	
	As at	**in income**	**As at**
2006	**1 January**	**statement**	**31 December**
Property, plant and equipment	9,991,225	(447,177)	9,544,048
Unutilised tax losses	(167,518)	44,885	(122,633)
Unabsorbed capital allowances	(26,326)	26,326	-
	9,797,381	(375,966)	9,421,415

Group		**Recognised**	
	As at	**in income**	**As at**
2005	**1 January**	**statement**	**31 December**
Property, plant and equipment	9,753,440	237,785	9,991,225
Unutilised tax losses	(175,384)	7,866	(167,518)
Unabsorbed capital allowances	(247,784)	221,458	(26,326)
	9,330,272	467,109	9,797,381

Company		**Recognised**	
	As at	**in income**	**As at**
2006	**1 January**	**statement**	**31 December**
Unutilised tax losses	(20,340)	-	(20,340)
	(20,340)	-	(20,340)
2005			
Unutilised tax losses	(20,340)	-	(20,340)
	(20,340)	-	(20,340)

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

	Group	
	2006	**2005**
	RM	**RM**
Unutilised tax losses	17,789,583	10,337,003

15. INVENTORIES

	Group	
	2006	**2005**
	RM	**RM**
At cost :		
Raw materials and consumables	21,976,774	22,685,979
Work-in-progress	217,954	181,758
Finished goods	1,763,350	1,857,844
	23,958,078	24,725,581

16. TRADE RECEIVABLES

	Group	
	2006	**2005**
	RM	**RM**
Trade receivables	76,421,892	75,908,725
Less : Provision for doubtful debts	(1,744,857)	(2,095,498)
	74,677,035	73,813,227
Related parties	1,866,779	741,306
	76,543,814	74,554,533

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 (2005 : 30 to 120) days. Other credit terms are assessed and approved on a case-by-case basis. Overdue interest of 0.50% to 1.50% (2005 : 0.50% to 1.50%) per month is charged on the amount due from certain debtors exceeding credit terms.

The Group has significant concentration of credit risk that may arise from exposure to two debtors which amounted to RM15,039,317 (2005 : RM16,226,055) which represents 19% (2005 : 21%) of the total gross debts. The said debtors have strategic alliances with the Group. The directors are confident that based on steps taken, dealings with those debtors and the proposed payment scheme by one of these debtors that the amounts, net of provisions made, will be recovered in full and as such, the provision for doubtful debts made in financial statements is adequate.

17. OTHER RECEIVABLES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Deposits and prepayments	1,713,190	1,311,613	17,181	17,011
Other receivables	1,138,407	777,952	-	-
Import tax receivables	693,610	780,657	-	-
Due from subsidiaries	-	-	30,833	20,833
	3,545,207	2,870,222	48,014	37,844

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 repayable on demand.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash on hand and at banks	6,305,361	6,514,795	102,098	16,534
Deposit with a licensed bank	47,230	42,561	-	-
Cash and bank balances	6,352,591	6,557,356	102,098	16,534
Less: Bank overdrafts (Note 23)	(12,407,498)	(3,957,677)	-	-
	(6,054,907)	2,599,679	102,098	16,534

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	
	2006	2005	2006	2005
Deposit with a licensed bank	3.8%	3.7%	365	365

19. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2006	2005	2006 RM	2005 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/31 December	75,250,601	75,250,601	75,250,601	75,250,601

20. SHARE PREMIUM

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

21. FOREIGN EXCHANGE RESERVE

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

22. RETAINED PROFITS

As at 31 December 2006, the Company has tax exempt profits available for distribution of approximately RM309,000 (2005 : RM309,000), subject to the agreement with the Inland Revenue Board.

As at 31 December 2005, the Company had 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.

23. BORROWINGS (SECURED)

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Short Term Borrowings				
Bank overdrafts (Note 18)	12,407,498	3,957,677	-	-
Bankers' acceptances	41,995,881	50,790,720	-	-
Trust receipts	4,334,926	5,926,342	-	-
Short term loans	9,746,302	-	-	-
Term loans	5,736,993	19,845,931	246,568	532,000
Hire purchase payables (Note 24)	3,405,864	3,908,333	-	-
	77,627,464	84,429,003	246,568	532,000
Long Term Borrowings				
Secured :				
Term loans	17,526,171	21,341,438	1,972,526	2,128,000
Hire purchase payables (Note 24)	6,598,022	9,722,100	-	-
	24,124,193	31,063,538	1,972,526	2,128,000
Total Borrowings				
Bank overdrafts	12,407,498	3,957,677	-	-
Bankers' acceptances	41,995,881	50,790,720	-	-
Trust receipts	4,334,926	5,926,342	-	-
Short term loans	9,746,302	-	-	-
Term loans	23,263,164	41,187,369	2,219,094	2,660,000
Hire purchase payables	10,003,886	13,630,433	-	-
	101,751,657	115,492,541	2,219,094	2,660,000

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Maturity of borrowings (excluding hire purchase):				
Within one year	74,221,600	80,520,670	246,568	532,000
More than one year and not later than 2 years	6,613,096	10,245,432	493,136	532,000
More than 2 years and not later than 5 years	10,913,075	11,096,006	1,479,390	1,596,000
Later than 5 years		-	-	-
	91,747,771	101,862,108	2,219,094	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	
	2006	**2005**	**2006**	**2005**
	%	**%**	**%**	**%**
Bank overdrafts	8.16	7.76	-	-
Bankers' acceptances	4.26	3.54	-	-
Trust receipts	7.80	7.25	-	-
Short term loans	8.47	-	-	-
Term loans	7.31	6.06	7.85	6.83

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 9 and 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.

24. HIRE PURCHASE PAYABLES

	Group	
	2006	**2005**
	RM	**RM**
Minimum hire purchase payments :		
Within one year	3,982,444	4,682,284
Later than one year and not later than 2 years	3,410,891	3,930,076
Later than 2 years and not later than 5 years	3,678,814	6,928,242
	11,072,149	15,540,602
Less : Future finance charges	(1,068,263)	(1,910,169)
	10,003,886	13,630,433

	Group	
	2006	**2005**
	RM	**RM**
Present value of hire purchase liabilities :		
Within one year	3,405,864	3,908,333
Later than one year and not later than 2 years	3,088,310	3,448,250
Later than 2 years and not later than 5 years	3,509,712	6,273,850
	10,003,886	13,630,433
Due within 12 months (Note 23)	(3,405,864)	(3,908,333)
Due after 12 months (Note 23)	6,598,022	9,722,100

The hire purchase liabilities bore interest at the balance sheet date of between 2.50% to 5.50% (2005 : 2.50% to 5.50%) per annum.

25. TRADE PAYABLES

The credit terms granted to the Group range from 30 to 120 (2005 : 30 to 120) days.

26. OTHER PAYABLES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Due to a subsidiary	-	-	7,717,888	7,153,286
Due to a director	1,021,853	-	-	-
Supplier of property, plant and equipment	-	687,600	-	-
Other payables and accruals	6,684,683	7,100,100	41,180	15,750
	7,706,536	7,787,700	7,759,068	7,169,036

The amounts due to a subsidiary and due to a director are unsecured, interest-free and repayable on demand.

27. COMMITMENTS

	Group 2006 RM	Group 2005 RM
Capital Commitments		
Capital expenditure approved and contracted for:		
Property, plant and equipment	874,271	132,368
Non-Cancellable Operating Lease Commitments		
Future minimum rentals payable:		
Later than 5 years	675,576	760,360

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 2006 RM	Company 2005 RM
Unsecured corporate guarantees given to bank for credit facilities granted to subsidiaries	79,791,000	75,537,000

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group 2006 RM	Group 2005 RM
Sales to companies in which Tay Kim Huat, a director of a fellow subsidiary has indirect interest :		
Poh Huat Furniture Industries Vietnam Limited	3,057,525	2,064,347
Poh Huat Furniture Industries (M) Sdn. Bhd.	2,931,597	2,190,304
Poh Huat Woodwork (M) Sdn. Bhd.	41,817	134,984

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 above transactions have been entered into in the normal course of business and have been established on negotiated basis and mutually agreed basis.

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 2006.

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) 2006 RM	2005 RM
Trade receivables	96,075	84,122
Other receivables	-	51,422
Trade payables	(13,126,391)	(7,583,876)
Other payables	(1,197,197)	(28,342)
Term loan	(29,249,588)	(40,509,686)
	(43,477,101)	(47,986,360)

(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 16.

(f) Fair Values

The carrying amounts of hire-purchase payables and term loans approximate fair values as the interest rates charged are close to market interest rates for loans of similar risk profile as at balance sheet date.

The carrying amounts of other financial assets and liabilities approximate their fair values due to their relatively short maturity periods.

31. SEGMENT INFORMATION

(a) Primary reporting segment - Geographical segments

The Group operates in two principal geographical areas in the Asia-Pacific region and is principally involved in manufacturing of corrugated board and carton boxes.

	Malaysia RM	Vietnam RM	Others RM	Group RM
31 December 2006				
Revenue				
External sales	167,406,483	36,097,957	774,171	204,278,611
Results				
Segment results	5,791,693	(5,778,069)	58,262	71,886
Interest expense	(5,074,477)	(1,674,511)	-	(6,748,988)
Profit/(loss) before tax	717,216	(7,452,580)	58,262	(6,677,102)
Income tax expense	298,344	-	(13,444)	284,900
Net profit/(loss) for the year	1,015,560	(7,452,580)	44,818	(6,392,202)
Assets/Liabilities				
Segment assets	183,763,074	62,799,540	433,518	246,996,132
Segment liabilities	105,476,826	46,448,036	24,544	151,949,406
Other segment information				
Capital expenditure	1,207,910	377,570	-	1,585,480
Depreciation of property, plant and equipment	6,669,331	2,871,918	10,825	9,552,074
Depreciation of investment property	9,235	-	-	9,235
Other significant non-cash income	(1,119,002)	807,063	-	(311,939)

	Malaysia RM	Vietnam RM	Others RM	Group RM
31 December 2005				
Revenue				
External sales	160,444,096	17,852,349	177,849	178,474,294
Results				
Segment results	4,898,894	(9,188,889)	(203,891)	(4,493,886)
Interest expense	(4,263,849)	(1,148,114)	-	(5,411,963)
Profit/(loss) before tax	635,045	(10,337,003)	(203,891)	(9,905,849)
Income tax expense	(540,693)	-	-	(540,693)
Net profit/(loss) for the year	94,352	(10,337,003)	(203,891)	(10,446,542)
Assets/Liabilities				
Segment assets	187,837,685	69,826,373	390,211	258,054,269
Segment liabilities	112,200,019	43,435,387	1,006	155,636,412
Other segment information				
Capital expenditure	10,128,272	13,650,567	6,567	23,785,406
Depreciation of property, plant and equipment	6,714,379	2,530,300	10,843	9,255,522
Depreciation of investment property	9,235	-	-	9,235
Other significant non-cash income	(298,038)	-	-	(298,038)

(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.