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

Directors' Report and Audited Financial Statements
31 December 2008

573695-W

Ornapaper Berhad
(Incorporated in Malaysia)

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Ornapaper Berhad
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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

Principal activities

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

There have been no significant changes in the nature of these principal activities during the financial year except for the cessation of trading in wrapping paper materials as a result of the disposal of a subsidiary, Hello Paper Co. Ltd..

Results

	Group RM	Company RM
Profit/(loss) for the year from continuing operations	1,182,107	(613,318)
Profit for the year from discontinued operation	2,792,360	-
Profit/(loss) for the year	3,974,467	(613,318)
Attributable to:		
Equity holders of the Company	2,584,484	(613,318)
Minority interests	1,389,983	-
	3,974,467	(613,318)

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, other than as disclosed in Note 9 to the financial statements.

Dividend

The amount of dividend paid by the Company since 31 December 2007 was as follows:

	RM
Final tax exempt dividend of 1% on 75,250,601 ordinary shares paid on 28 July 2008 in respect of financial year ended 31 December 2007	752,506

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

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Directors

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

Lim Tau Lih
Tuan Haji Azhar bin Nayan
See Wan Seng
Siow Kee Yen
Adillah binti Ahmad Nordin
Ang Kwee Teng

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 30 to the financial statements.

Directors' interests

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

	Number of ordinary shares of RM1 each			
	1.1.2008	**Acquired**	**Sold**	**31.12.2008**
Direct interest				
Lim Tau Lih	5,374,045	-	-	5,374,045
Tuan Haji Azhar bin Nayan	25,000	-	-	25,000
Siow Kee Yen	5,000	125,500	-	130,500
Adillah binti Ahmad Nordin	14,000	-	-	14,000
Ang Kwee Teng	10,000	-	-	10,000

Directors' interests (continued)

	Number of ordinary shares of RM1 each			
	1.1.2008	**Acquired**	**Sold**	**31.12.2008**
Indirect interest				
See Wan Seng	18,634,888	-	-	18,634,888
Ang Kwee Teng	18,634,888	-	-	18,634,888

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

Other statutory information

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

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

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

(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.

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Other statutory information (continued)

(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.

Significant event

The significant event is disclosed in Note 9 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 APR 2009

Lim Tau Lih

Ang Kwee Teng

Melaka, Malaysia

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

We, Lim Tau Lih and Ang Kwee Teng , being two of the directors of Ornapaper Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 8 to 59 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 APR 2009

Lim Tau Lih

Ang Kwee Teng

Melaka, Malaysia

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

I, Lim Tau Lih, being the director primarily responsible for the financial management of Ornapaper Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 59 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lim Tau Lih at Melaka in the State of Melaka on 28 APR 2009

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

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ERNST & YOUNG

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Independent auditors' report to the members of Ornapaper Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Ornapaper Berhad, which comprise the balance sheets as at 31 December 2008, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 59.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

ERNST & YOUNG

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Independent auditors' report to the members of Ornapaper Berhad (continued)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

Report on other legal and regulatory requirements

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

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

(b) We have considered the accounts and the auditors' report of all the subsidiaries which we have not acted as auditors, which are indicated in Note 16 to the financial statements.

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

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

Other matters

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

Ernst & Young	Lee Ah Too
AF: 0039	2187/09/09(J)
Chartered Accountants	Chartered Accountant

Melaka, Malaysia
Date: 28 APR 2009

Ornapaper Berhad
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Income statements
For the year ended 31 December 2008

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Continuing operations					
Revenue	3	190,586,153	160,835,204	200,000	13,786,200
Cost of sales		(161,525,447)	(130,656,899)	-	-
Gross profit		29,060,706	30,178,305	200,000	13,786,200
Other income	4	663,372	1,694,151	-	-
Administrative expenses		(6,482,606)	(7,540,172)	(167,463)	(214,209)
Selling and marketing expenses		(11,766,495)	(9,709,922)	(5,664)	(3,970)
Other expenses		(4,697,146)	(6,023,071)	(590,890)	(95,287)
Operating profit/(loss)		6,777,831	8,599,291	(564,017)	13,472,734
Finance income		26,701	64,962	843	246
Finance costs		(4,865,027)	(5,227,593)	(29,804)	(162,443)
Profit/(loss) before tax	5	1,939,505	3,436,660	(592,978)	13,310,537
Tax expense	8	(757,398)	(288,203)	(20,340)	(613,629)
Profit/(loss) for the year from continuing operations		1,182,107	3,148,457	(613,318)	12,696,908
Discontinued operations					
Profit/(loss) for the year from discontinued operations	9	2,792,360	(3,048,207)	-	-
Profit/(loss) for the year		3,974,467	100,250	(613,318)	12,696,908
Attributable to:					
Equity holders of the Company		2,584,484	1,484,594	(613,318)	12,696,908
Minority interests		1,389,983	(1,384,344)	-	-
		3,974,467	100,250	(613,318)	12,696,908
Earnings per share attributable to equity holders of the Company (sen):					
Basic (continuing operations)	10	1.4	4.2		
Basic (discontinued operations)	10	2.0	(2.2)		
Basic, for profit for the year	10	3.4	2.0		
Diluted (continuing operations)	10	1.4	4.2		
Diluted (discontinued operations)	10	2.0	(2.2)		
Diluted, for profit for the year	10	3.4	2.0		

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

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Ornapaper Berhad
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Balance sheets
As at 31 December 2008

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Assets					
Non-current assets					
Property, plant and equipment	12	72,563,670	74,370,052	-	-
Investment property	13	-	409,242	-	-
Prepaid land lease payments	14	14,420,255	14,663,406	-	-
Goodwill	15	1,633,024	1,633,024	-	-
Investment in subsidiaries	16	-	-	75,585,432	75,585,432
Other investments	17	254,400	249,493	-	-
Deferred tax assets	18	-	445,684	-	20,340
		88,871,349	91,770,901	75,585,432	75,605,772
Current assets					
Inventories	19	21,674,465	26,248,396	-	-
Trade receivables	20	58,881,277	68,336,511	-	-
Other receivables	21	3,738,962	3,953,094	10,509,482	4,705,344
Tax recoverable		431,671	1,005,943	47,965	130,595
Cash and bank balances	22	5,015,359	3,847,072	40,755	70,612
		89,741,734	103,391,016	10,598,202	4,906,551
Assets of disposal group classified as held for sale	9	-	66,563,476	-	8,911,603
		89,741,734	169,954,492	10,598,202	13,818,154
Total assets		178,613,083	261,725,393	86,183,634	89,423,926
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	23	75,250,601	75,250,601	75,250,601	75,250,601
Share premium	24	11,155,900	11,155,900	11,155,900	11,155,900
Foreign exchange reserve	25	-	(17,393)	-	-
Foreign exchange reserve relating to assets classified as held for sale		-	(1,999,337)	-	-
Retained earnings/ (Accumulated losses)		9,355,695	9,931,609	(255,497)	1,110,327
Shareholders' equity		95,762,196	94,321,380	86,151,004	87,516,828
Minority interests		335,007	6,090,015	-	-
Total equity		96,097,203	100,411,395	86,151,004	87,516,828

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Ornapaper Berhad
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Balance sheets

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Non-current liabilities					
Borrowings	26	6,008,235	13,362,377	-	1,387,564
Deferred tax liabilities	18	3,074,898	3,680,068	-	-
Non-current liabilities		9,083,133	17,042,445	-	1,387,564
Current liabilities					
Borrowings	26	60,137,460	81,305,254	-	463,610
Trade payables	28	7,105,099	11,948,722	-	-
Other payables		5,859,998	6,251,573	32,630	55,924
Current tax payable		330,190	103,489	-	-
		73,432,747	99,609,038	32,630	519,534
Liabilities directly associated with assets classified as held for sale	9	-	44,662,515	-	-
		73,432,747	144,271,553	32,630	519,534
Total liabilities		82,515,880	161,313,998	32,630	1,907,098
Total equity and liabilities		178,613,083	261,725,393	86,183,634	89,423,926

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

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Statements of changes in equity
For the year ended 31 December 2008

	Attributable to equity holders of the Company							
		Non-distributable			Distributable			
	Share capital (Note 23) RM	Share premium (Note 24) RM	Foreign exchange reserve (Note 25) RM	Foreign exchange reserve relating to assets held for sale RM	Retained earnings RM	Total RM	Minority interests RM	Total equity RM
Group - 2007								
At 1 January 2007	75,250,601	11,155,900	(1,699,820)	-	8,447,015	93,153,696	7,734,734	100,888,430
Foreign currency translation, representing net expense recognised directly in equity	-	-	(316,910)	-	-	(316,910)	(260,375)	(577,285)
Amount recognised directly in equity relating to assets classified as held for sale	-	-	1,999,337	(1,999,337)	-	-	-	-
Profit/(loss) for the year	-	-	-	-	1,484,594	1,484,594	(1,384,344)	100,250
Total recognised income and expense for the year	-	-	1,682,427	(1,999,337)	1,484,594	1,167,684	(1,644,719)	(477,035)
At 31 December 2007	75,250,601	11,155,900	(17,393)	(1,999,337)	9,931,609	94,321,380	6,090,015	100,411,395

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Ornapaper Berhad
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Statements of changes in equity

	Share capital (Note 23)	Share premium (Note 24)	Foreign exchange reserve (Note 25)	Foreign exchange reserve relating to assets held for sale	Retained earnings	Total	Minority interests	Total equity
	← Attributable to equity holders of the Company					→		
		← Non-distributable		→	Distributable			
	RM	RM	RM	RM	RM	RM	RM	RM
Group - 2008								
At 1 January 2008	75,250,601	11,155,900	(17,393)	(1,999,337)	9,931,609	94,321,380	6,090,015	100,411,395
Foreign currency translation, representing net expense recognised directly in equity	-	-	8,460	(399,622)	-	(391,162)	(319,272)	(710,434)
Disposal of subsidiaries during the year	-	-	8,933	2,398,959	(2,407,892)	-	(6,825,719)	(6,825,719)
Profit for the year	-	-	-	-	2,584,484	2,584,484	1,389,983	3,974,467
Total recognised income and expense for the year	-	-	17,393	1,999,337	176,592	2,193,322	(5,755,008)	(3,561,686)
Dividends (Note 11)	-	-	-	-	(752,506)	(752,506)	-	(752,506)
At 31 December 2008	75,250,601	11,155,900	-	-	9,355,695	95,762,196	335,007	96,097,203

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Statements of changes in equity

	← Non-distributable	→	Distributable	
	Share capital (Note 23) RM	**Share premium (Note 24) RM**	**Retained earnings/ (accumulated losses) RM**	**Total RM**
Company				
At 1 January 2007	75,250,601	11,155,900	(11,586,581)	74,819,920
Profit for the year, representing total recognised income and expense for the year	-	-	12,696,908	12,696,908
At 31 December 2007	75,250,601	11,155,900	1,110,327	87,516,828
Dividend (Note 11)	-	-	(752,506)	(752,506)
Loss for the year, representing total recognised income and expense for the year	-	-	(613,318)	(613,318)
At 31 December 2008	75,250,601	11,155,900	(255,497)	86,151,004

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

Ornapaper Berhad
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Cash flow statements
For the year ended 31 December 2008

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Cash flows from operating activities					
Profit/(loss) before tax:					
- Continuing operations		1,939,505	3,436,660	(592,978)	13,310,537
- Discontinued operations	9(a)	2,792,360	(3,048,207)	-	-
Adjustments for :					
Depreciation and amortisation:					
- Property, plant and equipment	12	6,187,825	8,756,348	-	-
- Investment property	13	-	9,235	-	-
- Prepaid land lease payments	14	246,244	252,428	-	-
(Gain)/loss on disposal of:					
- Property, plant and equipment		(91,440)	1,102,235	-	-
- Investment property		(10,758)	-	-	-
- Investment in subsidiaries	9(e)	(241,772)	-	481,396	-
Investment written off		-	25,000	-	-
Unrealised foreign exchange losses/ (gains)		-	97,246	-	(121,353)
Bad debts written off		3,888	6,412	-	-
Provision for doubtful debts		2,158,617	2,842,029	-	-
Dividend income		(772)	(157)	-	-
Interest expense		5,261,881	6,881,670	29,804	162,443
Interest income		(44,046)	(99,740)	(843)	(246)
Operating profit/(loss) before working capital changes		18,201,532	20,261,159	(82,621)	13,351,381
Increase in inventories		(614,482)	(9,305,298)	-	-
Decrease/(increase) in receivables		9,459,450	(12,856,536)	(5,804,138)	(4,657,330)
(Decrease)/increase in payables		(14,694,730)	5,917,120	(23,294)	(7,703,144)
Cash generated from/(used in) operations		12,351,770	4,016,445	(5,910,053)	990,907
Interest paid		(5,261,881)	(6,881,670)	(29,804)	(162,443)
Interest received		44,046	99,740	843	246
Taxes (paid)/refunded		(1,096,010)	42,191	82,630	(613,629)
Net cash generated from/(used in) operating activities		6,037,925	(2,723,294)	(5,856,384)	215,081

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Cash flow statements

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Cash flows from investing activities					
Net dividends received		772	157	-	-
Purchase of:					
- Property, plant and equipment	12(c)	(3,815,258)	(5,800,292)		
- Other investments		(10,000)	-	-	-
Proceeds from disposal of:					
- Property, plant and equipment		1,941,223	601,240	-	-
- Investment property		420,000	-	-	-
- Subsidiaries	9(e)	4,711,802		8,430,207	
Prepaid land lease payments	14	-	(581,708)	-	-
Net cash generated from/(used in) investing activities		3,248,539	(5,780,603)	8,430,207	-
Cash flows from financing activities					
Drawdown/(repayment) of term loans		13,167,323	(6,138,269)	(1,851,174)	(246,567)
Payment of dividend		-	-	(752,506)	-
Repayment of finance lease payables		(3,328,429)	(3,558,303)	-	-
(Decrease)/increase in short term borrowings		(14,487,591)	19,219,285	-	-
Net cash (used in)/generated from financing activities		(4,648,697)	9,522,713	(2,603,680)	(246,567)
Cash and cash equivalents					
Net increase/(decrease) during the year		4,637,767	1,018,816	(29,857)	(31,486)
Effect of foreign exchange rate changes		(1,464,943)	1,006,442	-	-
At beginning of year		(4,029,649)	(6,054,907)	70,612	102,098
At end of year	22	(856,825)	(4,029,649)	40,755	70,612

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

Notes to the financial statements - 31 December 2008

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 sale of corrugated boards and carton boxes. There have been no significant changes in the nature of the principal activities during the financial year except for the cessation of trading of wrapping paper materials as a result of the disposal of a subsidiary, Hello Paper Co. Ltd..

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 April 2009.

2. Significant accounting policies

2.1 Basis of preparation

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

The financial statements of the Company have also been prepared on a historical basis, unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(a) Subsidiaries and basis of consolidation (continued)

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

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

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

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

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

(b) Goodwill

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(c) Property, plant and equipment and depreciation

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

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

Capital work-in-progress is not depreciated. 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% to 20%
Other assets	10% to 20%

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

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

(d) Investment properties

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(d) Investment properties (continued)

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.

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

(e) Impairment of non-financial assets

The carrying amounts of assets, other than inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, if any, 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.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(e) Impairment of non-financial assets (continued)

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.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

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) 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.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

(v) Interest-bearing borrowings

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

(vi) Equity instruments

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

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(h) Leases (continued)

(i) Classification (continued)

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance leases - the Group as lessee

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

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

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

(iii) Operating leases - the Group as lessee

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(h) Leases (continued)

(iii) Operating leases - the Group as lessee (continued)

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

(iv) Operating leases - the Group as lessor

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

(i) Income tax

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(i) Income tax (continued)

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. Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(k) Revenue recognition

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

(i) Sale of goods

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

(ii) Dividend income

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

(iii) Management fee

Management fee is recognised when service is rendered.

(l) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(l) Foreign currencies (continued)

(ii) Foreign currency transactions (continued)

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

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

(iii) Foreign operations

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

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(l) Foreign currencies (continued)

(iii) Foreign operations (continued)

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

(m) Borrowing costs

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

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

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

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

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

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

2.3 New and revised FRS, amendments to FRS and Interpretation

On 1 January 2008, the Group and the Company adopted where applicable, the following new and revised FRSs, amendments to FRS and Interpretations:

(i) FRS 107: Cash Flow Statements
(ii) FRS 111: Construction Contracts
(iii) FRS 118: Revenue
(iv) FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
(v) FRS 134: Interim Financial Reporting
(vi) FRS 137: Provisions, Contingent Liabilities and
(vii) Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
(viii) IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
(ix) IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
(x) IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
(xi) IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
(xii) IC Interpretation 7: Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies
(xiii) IC Interpretation 8: Scope of FRS 2

2. Significant accounting policies (continued)

2.3 New and revised FRS, amendments to FRS and Interpretation (continued)

The above revisions, amendments and Interpretations have no significant impact on the financial statements of the Group and the Company upon their initial application.

2.4 Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

	FRS and interpretations	**Effective for financial periods beginning on or after**
(i)	FRS 4: Insurance Contracts	1 January 2010
(ii)	FRS 7: Financial Instruments: Disclosures	1 January 2010
(iii)	FRS 8: Operating Segments	1 July 2009
(iv)	FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
(v)	IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
(vi)	IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010

The Group and the Company is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139. The other FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 8.

2.5 Significant Accounting Estimates and Judgments

(a) Critical judgments made in applying accounting policies

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

(b) Key sources of estimation uncertainty

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

2. Significant accounting policies (continued)

2.5 Significant accounting estimates and judgements (continued)

(b) Key sources of estimation uncertainty (continued)

(i) Depreciation of plant and machinery

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

(ii) Impairment of goodwill

The Group determines whether goodwill are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2008 is RM1,633,024 (2007 : RM1,633,024) . Further details are disclosed in Note 15.

(iii) Deferred tax assets

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

3. Revenue

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Sales of goods	190,586,153	160,835,204	-	-
Dividend income from subsidiary	-	-	-	13,636,200
Management fees from subsidiaries	-	-	200,000	150,000
	190,586,153	160,835,204	200,000	13,786,200

4. Other income

	Group 2008 RM	Group 2007 RM
Dividend income on equity investments, quoted in Malaysia	772	157
Rental received from operating leases	192,000	236,400
Insurance claim	-	1,281,784
Commission received	174,865	-
Others	295,735	175,810
	663,372	1,694,151

5. Profit/(loss) before tax

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

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Employee benefits expense (Note 6)	16,978,926	17,933,947	38,289	13,428
Non-executive directors' remuneration (Note 7)	136,500	128,420	94,500	89,500
Auditors' remuneration				
- Statutory audit (current year)	114,600	112,197	30,000	27,000
- Statutory audit (prior year)	(3,500)	-	(2,000)	-
- Other services	28,925	16,965	11,800	41,317

5. Profit/(loss) before tax (continued)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Bad debts written off	3,888	6,412	-	-
Provision for doubtful debts	2,158,617	1,978,481	-	-
Foreign exchange (gains)/losses:				
- Realised	(70,502)	(97,984)	(61,974)	(6,782)
- Unrealised	-	97,246	-	(121,353)
(Gain)/loss on disposal of:				
- Property plant and equipment	(91,440)	1,102,235	-	-
- Investment property	(10,758)	-	-	-
- Investment in subsidiaries	(241,772)	-	481,396	-
Depreciation and amortisation:				
- Property, plant and equipment (Note 12)	6,187,825	5,952,532	-	-
- Investment property (Note 13)	-	9,235	-	-
- Prepaid land lease payments (Note 14)	243,151	243,148	-	-
Investment written off	-	25,000	-	-
Minimum operating lease payments				
- Land and buildings	249,762	600,607	-	-
- Plant and equipment	20,600	17,400	-	-

6. Employee benefits expense

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Executive directors (Note 7)				
Directors of the Company	959,667	1,013,269	38,289	13,000
Other directors of subsidiaries	623,535	506,591	-	-
	1,583,202	1,519,860	38,289	13,000
Other key management personnel				
Salaries and wages	243,048	156,815	-	-
Defined contribution plans	29,788	17,110	-	-
	272,836	173,925	-	-
Other staff costs				
Salaries and wages	11,983,601	11,846,415	-	-
Defined contribution plans	972,641	948,492	-	-
Other related costs	2,166,646	3,445,255	-	428
	15,122,888	16,240,162	-	428
	16,978,926	17,933,947	38,289	13,428

7. Directors' remuneration

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Directors of the Company				
Executive (Note 6):				
Fees	148,000	120,000	23,500	-
Salaries and other emoluments	732,660	798,150	14,500	13,000
Defined contribution plans	79,007	95,119	289	-
	959,667	1,013,269	38,289	13,000
Estimated money value of benefits-in-kind	6,500	31,748	-	-
	966,167	1,045,017	38,289	13,000
Non-executive (Note 5):				
Fees	126,000	112,000	84,000	77,000
Other emoluments	10,500	16,000	10,500	12,500
Defined contribution plans	-	420	-	-
	136,500	128,420	94,500	89,500
Other directors of subsidiaries				
Executive (Note 6):				
Salaries and other emoluments	554,448	453,265	-	-
Defined contribution plans	69,087	53,326	-	-
	623,535	506,591	-	-
Estimated money value of benefits-in-kind	-	23,900	-	-
	623,535	530,491	-	-
Total directors' remuneration including benefits-in-kind	1,726,202	1,703,928	132,789	102,500

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:

	2008	2007
Executive directors		
RM100,001 to RM150,000	-	1
RM150,001 to RM200,000	1	-
RM200,001 to RM250,000	1	-
RM250,001 to RM300,000	-	1
RM550,001 to RM600,000	1	-
RM600,001 to RM650,000	-	1
Non-executive directors		
Below RM50,000	3	3

8. Tax expense

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Current tax:				
Malaysian income tax	916,884	633,377	-	613,629
Underprovision in prior years	-	153	-	-
	916,884	633,530	-	613,629
Deferred tax (Note 18):				
Relating to origination and reversal of temporary differences	(212,411)	17,228	-	-
Relating to reduction in income tax rate	(32,000)	(341,336)	-	-
Under/(over)provision in prior years	84,925	(21,219)	20,340	-
	(159,486)	(345,327)	20,340	-
	757,398	288,203	20,340	613,629

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit/(loss) for the year. The domestic statutory tax rate will be reduced to 25% with effect from the year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected this change.

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Profit/(loss) before tax from:				
- Continuing operations	1,939,505	3,436,660	(592,978)	13,310,537
- Discontinued operations (Note 9)	2,792,360	(3,048,207)	-	-
	4,731,865	388,453	(592,978)	13,310,537
Taxation at 26% (2007: 27%)	1,230,285	104,882	(154,176)	3,593,845
Effect of different tax rates in other countries	(726,014)	473,619	-	-
Effect of income subject to tax rate of 20% (2007: 20%)	(42,887)	(32,152)	-	-
Effect of changes in tax rates on opening balance of deferred tax	-	(79,336)	-	(1,023)

8. Tax expense (continued)

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Deferred tax recognised at different tax rates	(32,000)	(262,000)	-	-
Effect of expenses not deductible for tax purposes	344,950	638,926	27,504	88,952
Effect of income not subject to tax	(21,663)	-	-	(3,068,145)
Effect of double deduction of expenses	(13,815)	(3,628)	-	-
Effect of utilisation of current year's re-investment allowances	(742,322)	(512,648)	-	-
Deferred tax asset de-recognised/ (recognised) on unabsorbed re-investment allowances	110,035	(367,791)	-	-
Deferred tax asset not recognised on unutilised losses	123,560	349,397	126,672	-
Deferred tax asset not recognised on unabsorbed capital allowances	442,344	-	-	-
Underprovision of current tax in prior years	-	153	-	-
Under/(over)provision of deferred tax in prior years	84,925	(21,219)	20,340	-
Tax expense for the year	757,398	288,203	20,340	613,629

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Unabsorbed tax losses	1,444,000	537,000	115,000	73,000
Unabsorbed capital allowances	986,000	373,000	-	-
Unabsorbed re-investment allowances	21,451,000	20,943,000	-	-
	23,881,000	21,853,000	115,000	73,000

9. Discontinued operations and disposal group held for sale

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

(a) Analysis of the results of the discontinued operations

	Group	
	2008	**2007**
	RM	**RM**
Revenue	24,213,837	50,848,465
Administration and general expenses	(21,041,968)	(52,277,373)
Interest income	17,345	34,778
Interest expense	(396,854)	(1,654,077)
Profit/(loss) for the year from discontinued operation	2,792,360	(3,048,207)

(b) Profit/(loss) for the year from discontinued operations

The following amounts have been charged/(credited) in arriving at profit/(loss) after tax of discontinued operations:

	Group	
	2008	**2007**
	RM	**RM**
Auditors' remuneration	4,965	14,895
Employee benefits expense	877,975	2,633,924
Foreign exchange losses	-	12,468
Depreciation and amortisation:		
- Property, plant and equipment (Note 12)	-	2,803,816
- Prepaid land lease payments (Note 14)	3,093	9,280
Provision for doubtful debts	-	863,548

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

(c) Cash flows attributable to the discontinued operations

	Group	
	2008	2007
	RM	RM
Operating cash flows	(20,035,669)	3,106,427
Investing cash flows	1,840,316	(748,928)
Financing cash flows	19,677,362	(1,462,555)
Total cash flows	1,482,009	894,944

(d) Assets and liabilities of discontinued operations

The carrying amounts of the major classes of assets and liabilities of YFYP classified as held for sale on the balance sheets are as follows:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Assets				
Property, plant and equipments (Note12)	-	39,328,188	-	-
Prepaid land lease payments (Note 14)	-	445,434	-	-
Investments	-	2,035	-	8,911,603
Inventories	-	7,014,980	-	-
Trade and other receivables	-	17,690,768	-	-
Cash and bank balances (Note 22)	-	2,082,071	-	-
Assets of disposal group classified as held for sale	-	66,563,476	-	8,911,603
Liabilities				
Short and long term borrowings	-	16,278,913	-	-
Trade payables	-	23,386,487	-	-
Other payables	-	4,997,115	-	-
Liabilities directly associated with assets classified as held for sale	-	44,662,515	-	-

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

(e) Effects of disposal on financial position

The effects on the financial position of the Group upon disposal of the subsidiaries were as follows:

	RM
Assets/(liabilities)	
Property, plant and equipments	37,531,417
Prepaid land lease payments	442,341
Investments	7,275
Inventories	12,203,394
Trade and other receivables	16,718,279
Cash and bank balances	3,866,441
Short and long term borrowings	(31,061,875)
Trade payables	(14,736,418)
Other payables	(9,808,664)
Net assets disposed	15,162,190
Minority interests share of net assets	(6,825,719)
Group's share of net assets	8,336,471
Total disposal proceeds	8,578,243
Gain on disposal to the Group	241,772
Cash inflow arising from disposal:	
Cash consideration	8,578,243
Cash and cash equivalents of subsidiaries disposed	3,866,441
Net cash inflow to the Group	4,711,802

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

The effects on the financial position of the Company upon the disposal of YFYP were as follows:

	RM
Cost of investment	20,911,603
Less: Impairment loss	(12,000,000)
Carrying amount	8,911,603
Total disposal proceeds	8,430,207
Loss on disposal to the Company	(481,396)

The disposal of HP has no effect on the financial position of the Company as the disposal was by a subsidiary.

10. Earnings per share

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

	Group	
	2008	2007
	RM	RM
Attributable to ordinary equity holders of the Company:		
Profit from continuing operations	1,048,686	3,161,108
Profit/(loss) from discontinuing operations	1,535,798	(1,676,514)
Profit for the year	2,584,484	1,484,594
Weighted average number of ordinary share in issue	75,250,601	75,250,601
Basic and diluted earnings per share (sen):		
Profit from continuing operations	1.4	4.2
Profit/(loss) from discontinuing operation	2.0	(2.2)
Profit for the year	3.4	2.0

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

11. Dividend

	Dividends in respect of Year		Dividends recognised in Year	
	2008	2007	2008	2007
	RM	RM	RM	RM
Recognised during the year:				
First and final tax exempt dividend of 1% on 72,250,601 ordinary shares (1.0 sen per ordinary share)	-	752,506	752,506	-

12. Property, plant and equipment

	Factory buildings	Plant and machinery	Other assets	Total
	RM	RM	RM	RM
Group - 2008				
Cost				
At 1 January 2008	35,725,346	88,388,872	8,732,094	132,846,312
Additions	389,439	3,106,105	937,031	4,432,575
Disposals	-	(956,000)	(236,921)	(1,192,921)
Disposal of subsidiaries	-	-	(59,001)	(59,001)
At 31 December 2008	36,114,785	90,538,977	9,373,203	136,026,965
Accumulated depreciation				
At 1 January 2008	6,853,824	44,806,498	6,815,938	58,476,260
Charge for the year (Note 5)	952,595	4,540,479	694,751	6,187,825
Disposals	-	(945,598)	(234,763)	(1,180,361)
Disposal of subsidiaries	-	-	(20,429)	(20,429)
At 31 December 2008	7,806,419	48,401,379	7,255,497	63,463,295
Carrying amount	28,308,366	42,137,598	2,117,706	72,563,670

12. Property, plant and equipment (continued)

	Factory buildings RM	Plant and machinery RM	Other assets RM	Total RM
Group - 2007				
Cost				
At 1 January 2007	47,345,080	118,674,703	11,135,455	177,155,238
Additions	3,007,173	3,761,385	1,152,614	7,921,172
Disposals	-	(2,048,137)	(1,478,162)	(3,526,299)
Reclassified as held for sale (Note 9(d))	(14,048,499)	(30,814,254)	(2,006,648)	(46,869,401)
Exchange differences	(578,408)	(1,184,825)	(71,165)	(1,834,398)
At 31 December 2007	35,725,346	88,388,872	8,732,094	132,846,312
Accumulated depreciation				
At 1 January 2007	6,514,566	44,981,059	7,847,620	59,343,245
Charge for the year				
-Continuing operations (Note 5)	816,648	4,506,987	628,897	5,952,532
-Discontinued operations (Note 9(b))	328,815	2,134,555	340,446	2,803,816
	1,145,463	6,641,542	969,343	8,756,348
Disposals	-	(689,487)	(1,133,337)	(1,822,824)
Reclassified as held for sale (Note 9(d))	(779,613)	(5,923,343)	(838,257)	(7,541,213)
Exchange differences	(26,592)	(203,273)	(29,431)	(259,296)
At 31 December 2007	6,853,824	44,806,498	6,815,938	58,476,260
Carrying amount	28,871,522	43,582,374	1,916,156	74,370,052

(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 RM100,000 (2007 : RM102,603).

(b) The carrying amount of property, plant and equipment pledged to secure bank borrowings as referred to in Note 26 are as follow:

	Group	
	2008 RM	**2007 RM**
Factory buildings	28,308,366	28,871,522
Plant and machinery	38,377,959	41,003,528
Others	2,117,706	1,916,156
	68,804,031	71,791,206

12. Property, plant and equipment (continued)

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

	Group 2008 RM	Group 2007 RM
Cash	3,815,258	5,800,292
Lease financing	617,317	2,120,880
	4,432,575	7,921,172

(d) The carrying amount of property, plant and equipment being acquired under instalment payment plans amounts to RM15,189,130 (2007: RM15,637,723).

13. Investment property

	Group 2008 RM	Group 2007 RM
Cost		
At 1 January	461,742	461,742
Disposal	(461,742)	-
At 31 December	-	461,742
Accumulated depreciation		
At 1 January	52,500	43,265
Charge for the year (Note 5)	-	9,235
Disposal	(52,500)	-
At 31 December	-	52,500
Net carrying amount	-	409,242
Fair value	-	420,000

The investment property was pledged to secure bank borrowings as referred to in Note 26.

Fair value in prior year was 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.

14. Prepaid land lease payments

	Group 2008 RM	Group 2007 RM
At 1 January	14,663,406	14,779,560
Additions	-	581,708
Amortisation during the year:		
- Continuing operations (Note 5)	(243,151)	(243,148)
- Discontinued operations (Note 9(b))	(3,093)	(9,280)
	(246,244)	(252,428)
Disposal of subsidiary	3,093	-
Reclassified as held for sale (Note 9(d))	-	(445,434)
At 31 December	14,420,255	14,663,406
Relating to:		
Long term leasehold land	11,022,932	11,187,907
Short term leasehold land	3,397,323	3,475,499
	14,420,255	14,663,406

The above properties are pledged to secure bank borrowings as referred to in Note 26.

15. Goodwill

Impairment tests for goodwill

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

	Group 2008 RM	Group 2007 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

15. Goodwill (continued)

Key assumptions used in value-in-use calculations

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

	Ornapaper Industry (Perak) Sdn. Bhd.		Ornapaper Industry (Johor) Sdn. Bhd.	
	2008	2007	2008	2007
Gross margin	15%	19%	13%	15%
Growth rate	1%	4%	1%	2%
Discount rate	8%	8%	8%	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 adjusted for expected increase in direct costs.

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

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

(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.

16. Investment in subsidiaries

	Company	
	2008 RM	2007 RM
Unquoted shares at cost	75,585,432	75,585,432

16. Investment in subsidiaries (continued)

Details of the subsidiaries are as follows :

Name of subsidiaries	Country of incorporation	Proportion of ownership interest (%) 2008	2007	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
Yuen Foong Yu Paper Enterprise Dong Nai Company Limited (formerly known as 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) During the year, YFYP and HP were disposed. Information relating to the said disposals are set out in Note 9.

17. Other investments

	Group 2008 RM	Group 2007 RM
At cost:		
Quoted shares	19,400	19,400
Unquoted shares	235,000	225,000
Others	-	5,093
	254,400	249,493
Market value of quoted shares	9,160	15,510

18. Deferred tax assets/liabilities

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
At 1 January	3,234,384	3,890,164	(20,340)	(20,340)
Recognised in income statement (Note 8)	(159,486)	(345,327)	20,340	-
At 31 December	3,074,898	3,234,384	-	(20,340)
Presented after appropriate offsetting as follows:				
Deferred tax assets	-	(445,684)	-	(20,340)
Deferred tax liabilities	3,074,898	3,680,068	-	-
	3,074,898	3,234,384	-	(20,340)

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

Group - 2008	As at 1 January	Recognised in income statement	As at 31 December
Property, plant and equipment	8,856,729	(350,931)	8,505,798
Unutilised tax losses	(154,388)	154,388	-
Unabsorbed capital allowances	(93,773)	10,773	(83,000)
Unabsorbed re-investment allowances	(5,366,380)	17,284	(5,349,096)
Others	(7,804)	9,000	1,196
	3,234,384	(159,486)	3,074,898

18. Deferred tax assets/liabilities (continued)

Group - 2007	As at 1 January	Recognised in income statement	As at 31 December
Property, plant and equipment	9,544,048	(687,319)	8,856,729
Unutilised tax losses	(122,633)	(31,755)	(154,388)
Unabsorbed capital allowances	-	(93,773)	(93,773)
Unabsorbed re-investment allowances	(5,841,704)	475,324	(5,366,380)
Others	-	(7,804)	(7,804)
	3,579,711	(345,327)	3,234,384

Company - 2008			
Unutilised tax losses	(20,340)	20,340	-

Company - 2007			
Unutilised tax losses	(20,340)	-	(20,340)

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

	Group 2008 RM	Group 2007 RM
Discontinued operations:		
Unutilised tax losses	-	20,837,790
Continuing operations:		
Unutilised tax losses	368,000	-
Unabsorbed capital allowances	256,000	-
Unabsorbed reinvestment allowances	113,000	-

19. Inventories

	Group 2008 RM	Group 2007 RM
At cost :		
Raw materials and consumables	20,000,108	24,111,305
Work-in-progress	59,383	94,083
Finished goods	1,614,974	2,043,008
	21,674,465	26,248,396

20. Trade receivables

	Group	
	2008	2007
	RM	RM
Trade receivables	63,881,509	69,905,389
Provision for doubtful debts	(5,000,232)	(3,500,539)
	58,881,277	66,404,850
Related parties	-	1,931,661
	58,881,277	68,336,511

Bad debts of RM658,924 (2007: RM190,822) have been directly written off against the provision account during the year.

Related parties in prior year 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 (2007: 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% (2007: 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 RM11,803,780 (2007: RM15,164,919) which represents 18% (2007: 22%) 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 committed 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.

21. Other receivables

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Deposits and prepayments	1,266,732	1,483,930	14,124	14,124
Other receivables	2,477,554	2,501,141	-	-
Due from subsidiaries	-	-	10,495,358	4,691,220
	3,744,286	3,985,071	10,509,482	4,705,344
Provision for doubtful debts	(5,324)	(31,977)	-	-
	3,738,962	3,953,094	10,509,482	4,705,344

Bad debts of RM26,653 (2007: Nil) have been written off directly against the provision account during the year.

21. Other receivables (continued)

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

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

22. Cash and cash equivalents

	Group		Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Cash on hand and at banks	4,762,505	3,799,129	40,755	70,612
Deposit with a licensed bank	252,854	47,943	-	-
Cash and bank balances	5,015,359	3,847,072	40,755	70,612

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	
	2008	**2007**	**2008**	**2007**
Deposit with a licensed bank	3.16%	3.80%	100	365

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

	Group		Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Cash and bank balances	5,015,359	3,847,072	40,755	70,612
Less: Bank overdrafts (Note 26)	(5,872,184)	(9,958,792)	-	-
	(856,825)	(6,111,720)	40,755	70,612
Cash and bank balance classified as held for sale (Note 9(d))	-	2,082,071	-	-
Total cash and cash equivalents	(856,825)	(4,029,649)	40,755	70,612

23. Share capital

	Number of ordinary shares of RM1 each		Amount	
	2008	2007	2008 RM	2007 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

24. Share premium

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

25. Foreign exchange reserve

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

During the year, the foreign subsidiaries were disposed and the foreign exchange reserves have been transferred to retained earnings.

26. Borrowings (secured)

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Short term borrowings				
Bank overdrafts (Note 22)	5,872,184	9,958,792	-	-
Bankers' acceptances	49,449,614	59,663,833	-	-
Trust receipts	1,612,887	5,886,259	-	-
Term loans	424,633	2,359,095	-	463,610
Finance lease payables (Note 27)	2,778,142	3,437,275	-	-
	60,137,460	81,305,254	-	463,610
Long term borrowings				
Term loans	2,931,026	8,233,189	-	1,387,564
Finance lease payables (Note 27)	3,077,209	5,129,188	-	-
	6,008,235	13,362,377	-	1,387,564

26. Borrowings (secured) (continued)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Total borrowings				
Bank overdrafts	5,872,184	9,958,792	-	-
Bankers' acceptances	49,449,614	59,663,833	-	-
Trust receipts	1,612,887	5,886,259	-	-
Term loans	3,355,659	10,592,284	-	1,851,174
Finance lease payables	5,855,351	8,566,463	-	-
	66,145,695	94,667,631	-	1,851,174
Maturity of borrowings (after balance sheet date)				
Within the 1st year	60,137,460	81,305,254	-	463,610
Within the 2nd year	2,880,484	4,889,384	-	463,610
Within the 3rd year	1,099,186	3,946,036	-	463,610
Within the 4th year	683,878	2,685,803	-	460,344
Within the 5th year	270,927	541,059	-	-
Later than 5 years	1,073,760	1,300,095	-	-
	66,145,695	94,667,631	-	1,851,174

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

	Group		Company	
	2008	2007	2008	2007
	%	%	%	%
Bank overdrafts	8.19	8.30	-	-
Bankers' acceptances	4.24	4.22	-	-
Trust receipts	8.00	8.10	-	-
Term loans	7.02	6.83	-	7.43
Finance lease payables	5.02	4.75	-	-

The borrowings are secured by certain assets of the Group and a debenture covering fixed and floating charges over all the assets and properties as disclosed in Notes 12, 13 and 14 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.

27. Finance lease payables

	Group	
	2008	2007
	RM	RM
Minimum finance lease payments :		
Within one year	3,048,912	3,879,935
Later than one year and not later than 2 years	2,080,938	2,879,852
Later than 2 years and not later than 5 years	1,198,531	2,619,532
	6,328,381	9,379,319
Less : Future finance charges	(473,030)	(812,856)
	5,855,351	8,566,463
Present value of finance lease payables :		
Within one year	2,778,142	3,437,275
Later than one year and not later than 2 years	2,428,600	2,651,928
Later than 2 years and not later than 5 years	648,609	2,477,260
	5,855,351	8,566,463
Due within 12 months (Note 26)	(2,778,142)	(3,437,275)
Due after 12 months (Note 26)	3,077,209	5,129,188

28. Trade payables

The credit terms granted to the Group range from 30 to 120 (2007: 30 to 120) days.

29. Contingent liabilities

	Company	
	2008	2007
	RM	RM
Unsecured corporate guarantees given to bank for credit facilities granted to subsidiaries	59,752,000	95,232,000

30. Significant related party transactions

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

	Group	
	2008	**2007**
	RM	**RM**
Sales to companies in which Tay Kim Huat, a director of a subsidiary, has indirect interest :		
- Poh Huat Furniture Industries Vietnam Limited	2,775,236	2,906,693
- Poh Huat Furniture Industries (M) Sdn. Bhd.	1,586,672	3,740,158
- Poh Huat Woodwork (M) Sdn. Bhd.	-	1,995

	Company	
	2008	**2007**
	RM	**RM**
Dividend income received from subsidiary:		
- Ornapaper Industry (M) Sdn. Bhd.	-	13,636,200
Management fee charged to subsidiaries:		
- Ornapaper Industry (M) Sdn. Bhd.	140,000	140,000
- Ornapaper Industry (Perak) Sdn. Bhd.	50,000	-
- Ornapaper Industry (BP) Sdn. Bhd.	10,000	10,000

(b) Remuneration of key management personnel

The remuneration of key management personnel, including directors, is disclosed in Note 7.

31. Operating lease arrangements

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

	Group	
	2008	**2007**
	RM	**RM**
Not later than 1 year	57,540	91,176
Later than 1 year but not later than 5 years	21,600	143,746
Later than 5 years	-	658,171
	79,140	893,093

32. Financial instruments

(a) Financial risk management objectives and policies

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

(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 2008.

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 transacts 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)	
	2008	2007
	RM	RM
Trade receivables	144,149	155,725
Other receivables	18,960	-
Trade payables	-	(15,199,825)
Other payables	(25,797)	(313,499)
Term loan	-	(24,488,167)
	137,312	(39,845,766)

32. Financial instruments (continued)

(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 Notes 20 and 21.

(f) Fair Values

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

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

33. Segment information

(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.

	Continuing operations			Discontinued operations	
	Malaysia RM	Others RM	Sub-total RM	Vietnam RM	Total RM
31 December 2008					
Revenue					
External sales	190,586,153	-	190,586,153	24,213,837	214,799,990
Results					
Segment results	6,777,831	-	6,777,831	3,171,869	9,949,700
Finance income	26,701	-	26,701	17,345	44,046
Finance cost	(4,865,027)	-	(4,865,027)	(396,854)	(5,261,881)
Profit before tax	1,939,505	-	1,939,505	2,792,360	4,731,865
Tax expense	(757,398)	-	(757,398)	-	(757,398)
Profit for the year	1,182,107	-	1,182,107	2,792,360	3,974,467
Assets					
Segment assets	178,181,412	-	178,181,412	-	178,181,412
Unallocated assets					431,671
Total assets					178,613,083

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33. Segment information

(a) Primary reporting segment - Geographical segments (continued)

	Continuing operations Malaysia RM	Continuing operations Others RM	Continuing operations Sub-total RM	Discontinued operations Vietnam RM	Total RM
Liabilities					
Segment liabilities	79,110,792	-	79,110,792	-	79,110,792
Unallocated liabilities					3,405,088
Total liabilities					82,515,880
Other segment information					
Capital expenditure	4,432,575	-	4,432,575	-	4,432,575
Depreciation and amortisation:					
- Property, plant and equipment	6,187,825	-	6,187,825	-	6,187,825
- Prepaid land lease payment	243,151	-	243,151	3,093	246,244
Other significant non-cash income	(126,757)	-	(126,757)	-	(126,757)
31 December 2007					
Revenue					
External sales	160,586,206	248,998	160,835,204	50,848,465	211,683,669
Results					
Segment results	8,654,013	(54,722)	8,599,291	(1,528,200)	7,071,091
Finance income	64,962	-	64,962	34,778	99,740
Finance cost	(5,227,593)	-	(5,227,593)	(1,554,785)	(6,782,378)
Profit/(loss) before tax	3,491,382	(54,722)	3,436,660	(3,048,207)	388,453
Tax expense	(288,203)	-	(288,203)	-	(288,203)
Profit/(loss) for the year	3,203,179	(54,722)	3,148,457	(3,048,207)	100,250

33. Segment information

(a) Primary reporting segment - Geographical segments (continued)

	Continuing operations Malaysia RM	Others RM	Sub-total RM	Discontinued operations Vietnam RM	Total RM
Assets					
Segment assets	193,378,278	332,012	193,710,290	66,563,476	260,273,766
Unallocated assets					1,451,627
Total assets					261,725,393
Liabilities					
Segment liabilities	112,867,386	540	112,867,926	44,662,515	157,530,441
Unallocated liabilities					3,783,557
Total liabilities					161,313,998
Other segment information					
Capital expenditure	6,921,562	-	6,921,562	1,581,318	8,502,880
Depreciation and amortisation:					
- Property, plant and equipment	5,952,514	18	5,952,532	2,803,816	8,756,348
- Investment property	9,235	-	9,235	-	9,235
- Prepaid land lease payments	243,148	-	243,148	9,280	252,428
Other significant non-cash income	1,092,357	-	1,092,357	12,468	1,104,825

(b) Secondary reporting segment - Business segments

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