



**ORNAPAPER BERHAD**  
(573695-W)

## Annual Report 2007



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# Notice Of The Sixth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of ORNAPAPER BERHAD will be held at No. 8998, Kawasan Perindustrian Peringkat 4, Batu Berendam, 75350 Melaka on Thursday, 26 June 2008 at 10.30 a.m. for the following purposes:-

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Reports of the Directors and the Auditors thereon. (Resolution 1)
2. To approve the declaration of the First and Final Tax Exempt Dividend of 1% for the financial year ended 31 December 2007. (Resolution 2)
3. To approve the payment of Directors' Fees for the financial year ended 31 December 2007. (Resolution 3)
4. To re-elect the following Directors who retire pursuant to Article 92 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-
  - (a) Mr. Siow Kee Yen (Resolution 4)
  - (b) Puan Adillah binti Ahmad Nordin (Resolution 5)
5. To re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. (Resolution 6)
6. **As Special Business**

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-

### Ordinary Resolution

- **Authority To Issue Shares Pursuant To Section 132D Of The Companies Act, 1965** (Resolution 7)

"THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

# Notice Of The Sixth Annual General Meeting

## Ordinary Resolution

### - Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

(Resolution 8)

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into any of the category of recurrent transactions of a revenue or trading nature as set out in Section 2.3 of the Company's Circular to Shareholders dated 3 June 2008 with the related parties mentioned therein which are necessary for Ornapaper Berhad Group's day-to-day operations subject further to the following:

- (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and on terms not to the detriment of the minority shareholders; and
- (b) disclosure is made in the annual report of the breakdown of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year based on the following information:
  - (i) the types of recurrent related party transactions made; and
  - (ii) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

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

- (a) the conclusion of the next Annual General Meeting (AGM) of the Company following the forthcoming AGM at which such Proposed Renewal of Shareholder's Mandate was passed, at which time it will lapse, unless by a resolution passed at an AGM whereby the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to the provisions of the Act; or
- (c) revoked or varied by resolution passed by the shareholders in an AGM or Extraordinary General Meeting,

whichever is earlier;

AND the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution."

# Notice Of The Sixth Annual General Meeting

7. To transact any other ordinary business for which due notice has been given.

## **NOTICE OF DIVIDEND ENTITLEMENT**

**NOTICE IS ALSO HEREBY GIVEN** that the First and Final Tax Exempt Dividend of 1% in respect of financial year ended 31 December 2007 will be payable on 28 July 2008 to depositors who are registered in the Record of Depositors at the close of business on 16 July 2008, if approved by shareholders at the forthcoming Sixth Annual General Meeting on Thursday, 26 June 2008.

A Depositor shall qualify for entitlement only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 16 July 2008 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis accordingly to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

Chua Siew Chuan (MAICSA 0777689)  
Sean Ne Teo (LS 008058)  
Company Secretaries

Melaka  
3 June 2008

## **Explanatory Notes To Special Business:-**

- 1. The proposed adoption of the Ordinary Resolution 7 is primarily to give flexibility to the Board of Directors to issue and allot shares to such persons at any time in their absolute discretion without convening a general meeting.
- 2. The proposed adoption of the Ordinary Resolution 8 is to renew the shareholders' mandate granted by the shareholders of the Company at the Fifth Annual General Meeting held on 29 June 2007. The proposed renewal of the shareholders' mandate will enable the Company and its subsidiaries (ORNA Group) to enter into any of the recurrent related party transactions of a revenue or trading nature which are necessary for ORNA Group's day to day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

# Notice Of The Sixth Annual General Meeting

Notes:

- (i) A member entitled to attend and vote at this Meeting is entitled to appoint more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.

Shareholders' attention is hereby drawn to the Listing Requirements of Bursa Malaysia Securities Berhad which came into force on 1 June 2001 which allows a member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991 to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

- (ii) Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he or she specifies the proportion of his or her holdings to be represented by each proxy.
- (iii) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
- (iv) The instrument appointing a proxy must be deposited at the Registered Office at Lot 1A, 6<sup>th</sup> Floor, Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra, Batu Berendam, 75350 Melaka not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

# Statement Accompanying Notice of Annual General Meeting

[Pursuant to paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad]

1. Directors who are standing for re-election at the Sixth Annual General Meeting of the Company are as follows:-

- ◆ Mr. Siow Kee Yen;
- ◆ Puan Adillah binti Ahmad Nordin.

2. Details of Directors standing for re-election are as follows:

◆ **Mr. Siow Kee Yen**

Age:	: 37
Nationality:	: Malaysian
Designation/ Position in the Company	: Independent Non-Executive Director
Date of appointment	: 2 December 2002
Qualification	: Member of Malaysian Institute of Accountants; Honours Degree in Bachelor of Accountancy.
Work experience	: Audit Senior in Arthur Andersen & Co. (1996-1999); Audit Manager with Chin & Co. (2000-2001); Partner of KY Siow & Co. (2001 to present).
Directorship in other Public Companies Securities holding in the Company and its subsidiaries	: Chang Huat Corporation Berhad Direct – 130,500 shares Indirect – Nil
Family relationship with any directors and/ or major shareholders of the Company	: Nil
Conflict of interest with the Company:	: Nil
List of conviction for offences within the past 10 years:	: Nil

# Statement Accompanying Notice of Annual General Meeting

◆ **Puan Adillah binti Ahmad Nordin**

Age:	39
Nationality:	Malaysian
Designation/ Position in the Company:	Independent Non-Executive Director
Date of appointment:	2 December 2002
Qualification:	LL.B (Honours)
Work experience:	English Bar & Malaysian Bar (1993 & 1994); Advocates & Solicitors with Adillah A. Nordin (present)
Directorship in other Public Companies:	Nil
Securities holding in the Company and its subsidiaries:	Direct – 14,000 shares Indirect – Nil
Family relationship with any directors and/ or major shareholders of the Company:	Nil
Conflict of interest with the Company:	Nil
List of conviction for offences within the past 10 years:	Nil

3. During the financial year ended 31 December 2007, seven (7) Board meetings were held and the attendance of the Board members were as follows:

<u>Directors</u>	<u>Attendance</u>
Lim Tau Lih	7/7
Ang Kwee Teng	6/7
Azhar bin Nayan	7/7
Adillah binti Ahmad Nordin	7/7
See Wan Seng	7/7
Siow Kee Yen	7/7

4. Details of type, place, date and hour of Sixth Annual General Meeting are as follows:

Type : Sixth Annual General Meeting  
Date : 26 June 2008  
Time : 10.30 a.m.  
Venue : No. 8998 Kawasan Perindustrian Peringkat 4,  
Batu Berendam, 75350 Melaka

# Corporate Information

## BOARD OF DIRECTORS

Lim Tau Lih  
*Managing Director*

Ang Kwee Teng  
*Executive Director*

See Wan Seng  
*Executive Director*

Azhar bin Nayan  
*Non-Independent Non-Executive Director*

Siow Kee Yen  
*Independent Non-Executive Director*

Adillah binti Ahmad Nordin  
*Independent Non-Executive Director*

## AUDIT COMMITTEE

Chairman  
Siow Kee Yen  
*Independent Non-Executive Director*

Members  
Adillah binti Ahmad Nordin  
*Independent Non-Executive Director*

Azhar bin Nayan  
*Non-Independent Non-Executive Director*

## SECRETARIES

Chua Siew Chuan (MAICSA 0777689)

Sean Ne Teo (LS 008058)

## REGISTERED OFFICE

Lot 1A, 6<sup>th</sup> Floor  
Menara Pertam, Jalan BBP 2,  
Taman Batu Berendam Putra  
Batu Berendam, 75350 Melaka.  
Tel: 06-3355210 Fax: 06-3355570

## NOMINATION COMMITTEE

Chairman  
Siow Kee Yen  
*Independent Non-Executive Director*

Members  
Adillah binti Ahmad Nordin  
*Independent Non-Executive Director*

Azhar bin Nayan  
*Non-Independent Non-Executive Director*

# Corporate Information

## REMUNERATION COMMITTEE

: Chairman  
Adillah binti Ahmad Nordin  
*Independent Non-Executive Director*

Members  
Siow Kee Yen  
*Independent Non-Executive Director*

Azhar bin Nayan  
*Non-Independent Non-Executive Director*

## REGISTRAR

Tenaga Korperat Sdn Bhd  
Tingkat 20, Plaza Permata, Jalan Kampar  
Off Jalan Tun Razak  
50400 Kuala Lumpur.  
Tel: 03-4041 6522 Fax: 03-4042 6352

## AUDITORS

Ernst & Young  
Lot 1, 6th Floor  
Menara Pertam, Jalan BBP 2,  
Taman Batu Berendam Putra  
Batu Berendam, 75350 Melaka.

## STOCK EXCHANGE

Main Board of Bursa Malaysia  
Securities Berhad

# Profile of Directors

## Mr Lim Tau Lih

Age	: 50
Nationality	: Malaysian
Designation/ Position in the Company	: Managing Director
Date of appointment	: 30 October 2006
Qualification	: Member of Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants
Work experience	: Manager of Coopers & Lybrand (1991 to 1996), Manager of Ernst & Young (1987 to 1991), Non-Executive Partner of Lim Tau Lih & Co.
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct – 5,374,045 shares : Deemed – Nil
Family relationship with any directors and/ or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

## Tuan Haji Azhar bin Nayan

Age	: 45
Nationality	: Malaysian
Designation / Position in the Company	: Non-Executive Director
Date of appointment	: 2 December 2002
Qualification	: Degree in Bachelor of Science Accountancy; MBA in Finance; Member of American Institute of Certified Public Accountants
Work experience	: Management Consultant in Ernst & Whinny; Auditor with Arthur Andersen & Co.; General Manager in Lembaga Tabung Haji (1989 to present); Director of Ornapaper Industry (M) Sdn Bhd (present)
Directorship in other Public Companies	: Tafi Industries Berhad
Securities holding in the Company and its subsidiaries	: Direct - 25,000 shares : Deemed - Nil
Family relationship with any directors and / or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

# Profile of Directors

## Mr See Wan Seng

Age	: 61
Nationality	: Malaysian
Designation / Position in the Company	: Executive Director
Date of appointment	: 2 December 2002
Qualification	: Bachelor of Commerce Degree from Nanyang University Singapore
Work experience	: Director & General Manager of Carton Box Industrial (M) Sdn Bhd (1990 to 1996); Director of Ornapaper Industry (M) Sdn Bhd (present); Director of Tripack Packaging (M) Sdn Bhd (present)
Directorship on other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct - Nil : Deemed - 18,634,888 shares
Family relationship with any director and / or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of Conviction for offences within the past 10 years	: Nil

## Mr Siow Kee Yen

Age	: 37
Nationality	: Malaysian
Designation / Position in the Company	: Independent Non-Executive Director
Date of appointment	: 2 December 2002
Qualification	: Member of Malaysian Institute of Accountants Honours Degree in Bachelor of Accountancy
Work experience	: Audit Senior in Arthur Andersen & Co. (1996-1999); Audit Manager with Chin & Co. (2000-2001); Partner of KY Siow & Co. (2001 to present)
Directorship in other Public Companies	: Chang Huat Corporation Berhad
Securities holding in the Company and its subsidiaries	: Direct - 130,500 shares : Deemed - Nil
Family relationship with any directors and / or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

# Profile of Directors

## Puan Adillah binti Ahmad Nordin

Age	: 39
Nationality	: Malaysian
Designation/ Position in the Company	: Independent Non-Executive Director
Date of appointment	: 2 December 2002
Qualification	: LL.B (Honours)
Work experience	: English Bar & Malaysian Bar (1993 & 1994); Advocate & Solicitor with Adillah A. Nordin (present)
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	Direct – 14,000 shares Deemed – Nil
Family relationship with any directors and/ or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

## Mr. Ang Kwee Teng

Age	: 58
Nationality	: Malaysian
Designation / Position in the Company	: Executive Director
Date of appointment	: 2 December 2002
Qualification	: -
Work experience	: Director of Ornapaper Industry (M) Sdn Bhd (1995 to present)
Directorship in other Public Companies	: Golsta Synergy Berhad
Securities holding in the Company and its subsidiaries	Direct - 10,000 Deemed - 18,634,888 shares
Family relationship with any directors and / or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

# Managing Director's Statement

On behalf of the Board of Directors of Ornapaper Berhad ("OB"), I am pleased to present to you the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2007.

## PERFORMANCE AND FINANCIAL REVIEWS

For the financial year under review, the Group recorded a pre tax profit after minority interest of RM0.39 million (2006: loss RM3.02 million) on a group turnover of RM160 million (2006: RM168 million). The performance of the subsidiary company, Ornapaper Vietnam Co. Ltd. has improved with a reduced loss of RM3.1 million (2005: RM7.45 million).

## DIVIDEND

The Board is pleased to recommend a first and final tax exempt dividend of 1% for the financial year ended 31 December 2007, which is subject to the approval of the forthcoming Annual General Meeting in June 2008 .

## PROSPECTS FOR 2008

An important factor affecting the Group's operations is the increasing paper roll costs. The Management foresees this trend to persist through the financial year ending 31 December 2008. It is crucial for the Group to implement a strategic procuring policy so that cost of paper rolls can be minimized.

The Management is confident that the Group will continue to turn in good performance amidst the competition and rising costs environment.

## APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the shareholders, bankers, business partners and government authorities for your continued support in the Group. I would also like to extend our thanks to the management and staff of the Group for their contribution and dedication to the Group through the years.

To my fellow board members for their trust, advice and guidance granted in the last few months, my sincere thanks and gratitude.

# Statement On Corporate Governance

The Board of Directors ("The Board") is committed to ensuring that highest standards of corporate governance are in place and are being practiced throughout the Group towards enhancing business prosperity, maximizing shareholders' value and supporting excellent corporate conduct.

This statement sets out the commitment of the Boards towards good corporate governance and the extent to which it has complied with the Principles and Best Practices set out in the Malaysian Code on Corporate Governance ("the Code").

## **THE BOARD OF DIRECTORS**

### **Board Balance and Composition**

The Company is headed by the Board comprising of six (6) members. Three (3) of the six (6) members are Non-Executive members, two (2) of whom are Independent Non-Executive Directors. The Board of Directors is made of Executive Directors with wide range of experiences in the paper packaging industry while the Non-Executive Directors are professionals with diverse knowledge and skills in the areas of accounting, legal, and general management. The Board's composition brings to the Group a diverse wealth of skills, knowledge as well as a balanced mix of experience and expertise to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction. The profile of the Directors is presented in pages 10 to 12.

The Board balance is reflected through the contributions of Independent Non-Executive Directors. The Independent Non-Executive Directors provide objective and independent judgement to facilitate balance leadership of the Group as well as to safeguard interest of the minority shareholders and other stakeholders by ensuring the highest standard of conduct and integrity are maintained by the Group. The Non-Independent Non-Executive Director contributes significantly in areas such as policy and strategy, performance monitoring as well as improving governance and controls.

### **Board Responsibilities**

The Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Management Committee ("MC") assists the Board in the day-to day operations of the Group. The MC comprises the Managing Director and heads of departments within the Group.

The Board has also delegated certain responsibilities to other Board Committees, which operate within clearly defined terms of reference.

### **Board Meetings**

The Board meets regularly on quarterly basis, with additional meetings convened as required where urgent and important decisions may need to be made between scheduled meetings. Notice of Board meetings with an agenda and full Board papers for each agenda item to be discussed would be distributed to all Directors for timely and accurate information prior to the meeting.

At each meeting, the Board considers the financial statements and results of the Group for the period ended for each quarter, the performance of the business of the Group, new business development proposals, policies and strategic issues affecting the Group's business and factors imposing potential risks in the business of the Group.

# Statement On Corporate Governance

During the financial year ended 31 December 2007, seven (7) meetings were held and the details of attendance of Directors are as follows:-

Name	Attendance of Meetings
1. Lim Tau Lih	7/7
2. Ang Kwee Teng	6/7
3. See Wan Seng	7/7
4. Azhar bin Nayan	7/7
5. Siow Kee Yen	7/7
6. Adillah binti Ahmad Nordin	7/7

In accordance with the Company's Articles of Association, at least one third (1/3) of the Directors or the number nearest to one-third (1/3), shall retire by rotation at each Annual General Meeting and at least once every three (3) years. The Directors retiring from office shall be eligible for re-election by the shareholders.

All Directors have attended the Mandatory Accreditation Programme (MAP) as prescribed by the Listing Requirements of the Bursa Malaysia Securities Berhad.

The Board encourages its Directors to undergo other relevant training programmes on a continuous basis to further enhance their skills and knowledge to enable them to discharge their respective duties effectively.

## Board Committees

The Board has in place the following committees to assist in carry out its fiduciary duties. All these committees have written terms and reference clearly outlining their duties and responsibilities:

1. Audit Committee
2. Nomination Committee
3. Remuneration Committee

### (i) Audit Committee

The membership, terms of reference and activities of the Audit Committee are detailed in the Audit Committee Report in pages 19 to 22 of the Annual Report.

The Board encourages its Directors to undergo other relevant training programmes on a continuous basis to further enhance their skills and knowledge to enable them to discharge their respective duties effectively.

### (ii) Nomination Committee

The Nomination Committee was set up on 21 March 2003. The terms of reference of the Nomination Committee was reviewed by the Board and all members of the Nomination Committee were re-nominated and re-appointed on 26 May 2006. The term of office of the Nomination Committee is three (3) years and may be re-nominated and re-appointed by the Board. The members of the Nomination Committee are as follows:

# Statement On Corporate Governance

## Chairman

Siow Kee Yen - Independent Non-Executive Director

## Members

Adillah binti Ahmad Nordin - Independent Non-Executive Director

Azhar bin Nayan - Non-Independent Non-Executive Director

The Nomination Committee reviews the required mix of skills and competencies of the Board members, recommending candidates as members to the Board and its committees, as well as assessing the effectiveness of the Board.

## **(iii) Remuneration Committee**

The Remuneration Committee was set up on 21 March 2003. The terms of reference of the Remuneration Committee was reviewed by the Board and all the member of the Remuneration Committee were re-nominated and re-appointed on 26 May 2006. The term of office of the Remuneration Committee is three (3) years and may be re-nominated and re-appointed by the Board. It is the objective of the Remuneration Committee to assist the Board in assessing the remuneration packages of the Executive Directors of the company. The Board shall decide on the remuneration packages upon considering the recommendations made by the Remuneration Committee. The members of the Remuneration Committee are as follows:

## Chairman

Adillah binti Ahmad Nordin - Independent Non-Executive Director

## Members

Siow Kee Yen - Independent Non-Executive Director

Azhar bin Nayan - Non-Independent Non-Executive Director

The sixth meeting of the Committee was held on 31 January 2008.

## **DIRECTORS REMUNERATION**

The Company shall ensure the level and make-up of remuneration is sufficient to attract and retain the Directors needed to run the Company successfully. Currently, the Remuneration Committee assesses the Executive Directors' remuneration packages so as to recommend the Executive Directors' remuneration packages to the Board for approval. The Executive Directors shall abstain from participating in the discussion with respect to their remuneration packages. The details of the Directors' Remuneration for the financial year under review are disclosed in Note 7 of the Notes to the Financial Statement herein.

The Executive Directors' remuneration comprises basic salary, Directors' Fees and allowances. Other customary benefits to the Group are made available as appropriate. Any salary reviews will take into account market rates and the performance of the individual and the Group.

# Statement On Corporate Governance

The Non-Executive Directors' remuneration comprises fees and allowances. Determination of said remuneration is balanced with their expected roles and responsibilities including any additional work and contribution required.

The Board has considered the disclosure of details of the remuneration of each Director as stipulated in the Code. The Board is of the view that the transparency and accountability aspects of Corporate Governance as applicable to Director's Remuneration are appropriately served by the "band disclosure" as required by the Listing Requirements.

## **DIALOGUE WITH SHAREHOLDERS AND INVESTORS**

The Group recognizes the importance of communication with shareholders and investors and keeping them informed of the Group's developments through announcements via the Bursa LINK. In addition, other corporate information materials are available to all shareholders in the Company's Annual Reports and Circulars to Shareholders.

The Board encourages full participation by shareholders at the Annual General Meetings and Extraordinary General Meetings of the Company where opportunity are given to the shareholders to raise questions and seek clarification on the business and performance of the Company.

## **ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

In presenting the annual financial statements and quarterly announcements of financial results, the Board aims to present a balanced and meaningful assessment of the Group's financial positions and prospects. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and accuracy of its financial reporting.

### **State of Internal Control**

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets. This includes ensuring the review of the adequacy and integrity of the system of internal control in managing the principal risks of the Group.

The Board has reviewed the adequacy and integrity of the Group's state of internal control and the Group's Statement on Internal Control is set out in pages 23 to 24 of this Annual Report.

### **Relationship with External Auditors**

The role of the Audit Committee in relation to the external auditors is disclosed in the Report of Audit Committee set out on pages 19 to 22.

## **ADDITIONAL COMPLIANCE INFORMATION**

### **Share Buybacks**

During the financial year, there were no shares buy backs by the Company.

# Statement On Corporate Governance

## **Options, Warrants or Convertible Securities**

No warrants or convertible securities were exercised by the Company in the financial year.

## **American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme**

During the financial year, the Company did not sponsor any ADR or GDR programme.

## **Sanctions and/or Penalties**

There were no material sanctions and/or penalties imposed on the Company and/or its subsidiaries, Directors or management by the regulatory bodies.

## **Variation in Results**

The profit after tax amount is 26.29% less than the amount previously announced due to the following net adjustments:-

- (a) decrease in the loss incurred by the subsidiary company Ornapaper Vietnam Co. Ltd. from RM3,300,942 to RM3,048,207 due to foreign exchange reserve adjustments. The effect on account is reduction in loss incurred by group amounting to RM139,004 (55%);
- (b) net tax expense after audit adjustments for disallowed expenses and deferred taxation increased by RM164,131;
- (c) additional provisions amounting to RM10,472.

## **Non-audit fees**

The amount of non-audit fees incurred for services rendered to the Company or its subsidiaries for the financial year ended 31 December 2007 by the Company's Auditors or a firm or company affiliated to the auditors' firm were RM16,965.

## **Profit Guarantees**

During the financial year, there was no profit guarantee given by the Company.

## **Material Contracts**

During the financial year, there was no material contracts entered into by the Company or its subsidiaries, involving Directors' and major shareholders interest.

## **Contracts Relating to Loans**

There was no material contracts relating to loans by the Company involving Directors and major shareholders.

## **Utilisation of Proceeds**

The Company did not implement any fund raising exercise during the financial year.

## **Directors' Responsibility Statement**

The Directors of the Company are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company.

The Directors are required to ensure that the financial statements for each financial year are properly drawn up in accordance with the provisions of the Companies Act, 1965 and approved accounting standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year end and of the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing those financial statements of the Group and of the Company for the financial year ended 31 December 2007, the Group has adopted the appropriate accounting policies and applied them consistently and all applicable approved accounting standards have been followed. The financial statements are prepared on a going concern basis.

# Audit Committee Report

## MEMBERSHIP

The present members of the Audit Committee of the Company are:-

<b>Name</b>	<b>Designation</b>
Siow Kee Yen	Independent Non-Executive Director (Chairman)
Adillah binti Ahmad Nordin	Independent Non-Executive Director
Azhar bin Nayan	Non-Independent Non-Executive Director

## TERMS OF REFERENCE

### Composition of members

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) non-executive directors. The majority of the Audit Committee members shall be independent directors.

In this respect, the Board adopts the definition of "independent director" as defined under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee must be:-

- (a) a member of the Malaysian Institute of Accountant ("MIA"); or
- (b) if he is not a member of MIA, he must have at least three (3) years of working experience and:
  - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - ii. he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) fulfils such other requirements as prescribed by Bursa Securities.

No alternate director of the Board shall be appointed as a member of the Audit Committee.

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

### Retirement and resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

### Chairman

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.

In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be independent director to chair the meeting.

### Secretary

The Company Secretary shall be the Secretary of the Audit Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

# Audit Committee Report

## Meeting

The Audit Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Upon the request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.

Notice of Audit Committee meetings shall be given to all the Audit Committee members unless the Audit Committee waives such requirement.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Finance Director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

The Finance Director, the head of internal audit and a representative of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee shall meet with the external auditors without executive Board members present at least twice a year and whenever necessary.

Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit Committee shall have a second or casting vote.

The Audit Committee met five (5) times during the year and the details of the attendance of each member are as follows:

<i><b>Name of Member</b></i>	<i><b>No. of Meetings Attended</b></i>
Siow Kee Yen	5/5
Adillah binti Ahmad Nordin	5/5
Azhar bin Nayan	5/5

## Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board. The Audit Committee Chairman shall report on each meeting to the Board.

The minutes of the Audit Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

## Quorum

The quorum for the Audit Committee meeting shall be the majority of members present whom must be independent directors.

## Objectives

The principal objectives of the Audit Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:

- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information presented by management is relevant, reliable and timely;

# Audit Committee Report

- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Group's control environment.

## Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- (a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Audit Committee.
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.
- (c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).
- (e) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.

## Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:-

- (a) To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;
- (b) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (c) To review with the external auditor his evaluation of the system of internal controls and his audit report;
- (d) To review the quarterly and year-end financial statements of the Board, focusing particularly on -
  - any change in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.
- (e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- (f) To review the external auditor's management letter and management's response;

# Audit Committee Report

- (g) To do the following, in relation to the internal audit function:-
- review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function; and
  - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (h) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (i) To report its findings on the financial and management performance, and other material matters to the Board;
- (j) To consider the major findings of internal investigations and management's response;
- (k) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;
- (l) To determine the remit of the internal audit function;
- (m) To consider other topics as defined by the Board; and
- (n) To consider and examine such other matters as the Audit Committee considers appropriate.

## **ACTIVITIES OF THE COMMITTEE DURING THE YEAR**

The Audit Committee is empowered to carry out the following duties during the financial year under review in accordance with its term of reference :

- (a) Reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors presented their audit strategy and plan.
- (b) Reviewed with the external auditors, major issues arising from the audit.
- (c) Reviewed the Group's internal audit plan.
- (d) Reviewed the internal audit reports. The Audit Committee was briefed on the audit reports issued and on the issues raised by the Internal Auditors on various aspects of the system in operation, practices and procedures and internal controls. Special notice was taken of significant issues raised in the audit reports and that adequate corrective actions had been taken by the Operating Management to rectify the weaknesses.

# Statement On Internal Control

## INTRODUCTION

Pursuant to paragraph 15.27 (b) of the Listing Requirements of the Bursa Malaysia Securities Berhad (Bursa Securities), the Board is pleased to provide the following statement on the state of internal control of the group for the financial year ended 31 December 2007, which has been prepared in accordance with the Statement on Internal Control - Guideline for Directors of Public Listed Companies issued by the Institute of Internal Auditors Malaysia and adopted by the Bursa Securities.

## BOARD RESPONSIBILITY

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity.

The Group's system of internal control is designed to manage the principal business risks that may impede the Group for achieving its business objectives. Notwithstanding, as with any internal control system, the Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing those objectives, these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

## RISK MANAGEMENT FRAMEWORK

The Board recognises that effective risk management is part of good business management practices. The Enterprise Risk Management Framework allows the Group to identify, evaluate and manage risks within defined risk parameters that affect the achievement of the Group's business objectives.

The Management Committee plays a pivotal role in continuously monitoring the implementation of the mitigating action plans and assessing the relevance and adequacy of the risk management and control process in light of changes to the Group's risk profile.

Subsequent to the financial year ended 31 December 2007, the Group has commenced the work to update the key risks profile with the assistance of external consultants and will present the updated key risk profile to the Audit Committee when completed.

## INTERNAL CONTROL MECHANISM

The Board entrusts the daily running of the business to the Managing Director ("MD") and his management team. The MD and his management team receive timely information pertaining to performance and profitability of the Group through monthly and weekly reports which include quantitative and qualitative trends and analyses.

# Statement On Internal Control

The MD plays a pivotal role in communicating the Board's expectations of the systems of internal control to management. This is achieved, on a day-to-day basis, through his active participation in the operations of the business as well as attendance at various scheduled Management Committee meetings. The Executive Directors meet with the Departmental Managers weekly to discuss Production, Operational, Sales and Human Resource issues and monitors the progress of these issues through daily interaction with the management team.

The other key elements of the Group's existing system of internal controls are as follows:

- \* Quality Policy that clearly outlines the Group's direction.
- \* Clear organisation structure with developed reporting lines that are ISO compliant.
- \* Scheduled Management Committee meetings involving the review of the Group's operations, financial performance and human resource matters.
- \* Monthly reports to the MD containing both financial and non-financial information.
- \* Employee Handbook stating the required Code of Conduct.
- \* An implicit understanding of the Company's authority limits.
- \* Structured training for employees based on the annual training plan.
- \* An independent internal audit function.
- \* Internal Quality Audits as specified by ISO for certain subsidiaries. Results of these audits are reported to the MD.

The system of internal controls was satisfactory and has not resulted in any significant breakdown or weakness in the system of internal control of the Group that have resulted in material losses incurred by the Group for the financial year ended 31 December 2007. The Group continues to take necessary measures to strengthen its internal control structure and manage its risks.

## ASSURANCE MECHANISM

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

The Company has an independent internal audit function to conduct review on internal controls. During the financial year, the internal audit function has been fully outsourced to a professional service provider firm and reports directly to the AC. The outsourced internal audit function reviews the key activities of the Group on the basis of an annual audit plan approved by the AC. Reports and corrective actions arising from internal audit reviews are reported to the AC.

## CONCLUSION

The Board remains committed towards keeping with the ever-changing business environment in order to support the Group's business and size of operations. Cognisant of this fact, the Board in striving for continuous improvement will put in place appropriate action plans, when necessary, to further enhance the Group's system of internal control.

The Statement is made in accordance with the resolution of the Board of Directors.

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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 2007.

## 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 and trading of wrapping paper materials.

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

## RESULTS

	Group RM	Company RM
Profit for the year from continuing operations	3,148,457	12,696,908
Loss for the year from discontinued operation	(3,048,207)	-
Profit for the year	<u>100,250</u>	<u>12,696,908</u>
Attributable to:		
Equity holders of the Company	1,484,594	12,696,908
Minority interests	<u>(1,384,344)</u>	<u>-</u>
	<u>100,250</u>	<u>12,696,908</u>

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

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

## DIVIDEND

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2007 of 1% on 75,250,601 ordinary shares, amounting to a total dividend payable of RM752,506 (1 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2008.

# Directors' Report

## DIRECTORS

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

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 33 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			
	1.1.2007	Acquired	Sold	31.12.2007
<b>Direct interest</b>				
Lim Tau Lih	5,374,045	-	-	5,374,045
Tuan Haji Azhar bin Nayan	25,000	-	-	25,000
Siow Kee Yen	5,000	-	-	5,000
Adillah binti Ahmad Nordin	4,000	-	-	4,000

# Directors' Report

	Number of Ordinary Shares of RM1 Each			
	1.1.2007	Acquired	Sold	31.12.2007
<b>Indirect interest</b>				
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.

# Directors' Report

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

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

(f) In the opinion of the directors:-

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## **SIGNIFICANT EVENT**

The significant event is disclosed in Note 36 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 24 April 2008.

LIM TAU LIH

SEE WAN SENG

# Statement By Directors

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

We, LIM TAU LIH and SEE WAN SENG, being two of the directors of ORNAPAPER BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 8 to 56 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 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 April 2008.

LIM TAU LIH

SEE WAN SENG

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

I, LIM TAU LIH, being the director primarily responsible for the financial management of ORNAPAPER BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 56 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed LIM TAU LIH at Melaka in )  
the State of Melaka on 24 April 2008. )

LIM TAU LIH

Before me,

# Report Of The Auditors To The Members Of Ornapaper Berhad

We have audited the accompanying financial statements set out on pages 33 to 81. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of :
  - (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

# Report Of The Auditors To The Members Of Ornapaper Berhad

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 16 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

ERNST & YOUNG  
AF: 0039  
Chartered Accountants

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

Melaka, Malaysia  
Date: 24 April 2008

# Income Statements

(For The Year Ended 31 December 2007)

		Group		Company	
	Note	2007 RM	2006 RM (restated)	2007 RM	2006 RM
<b>Continuing Operations</b>					
Revenue	3	160,835,204	168,180,654	13,786,200	377,270
Cost of sales		(130,656,899)	(142,427,665)	-	-
Gross profit		30,178,305	25,752,989	13,786,200	377,270
Other income	4	1,887,248	1,660,774	128,381	185,309
Administrative expenses		(7,668,307)	(6,657,452)	(342,344)	(319,705)
Selling and marketing expenses		(9,709,922)	(9,556,034)	(3,970)	(1,716)
Other expenses		(6,023,071)	(5,350,322)	(95,287)	(12,095,144)
Operating profit/(loss)		8,664,253	5,849,955	13,472,980	(11,853,986)
Interest expense		(5,227,593)	(5,074,477)	(162,443)	(185,442)
Profit/(loss) before tax	5	3,436,660	775,478	13,310,537	(12,039,428)
Tax (expense)/income	8	(288,203)	219,387	(613,629)	-
Profit for the year from continuing operations		3,148,457	994,865	12,696,908	(12,039,428)
<b>Discontinued Operation</b>					
Loss for the year from discontinued operation	9	(3,048,207)	(7,452,580)	-	-
<b>Profit/(loss) for the year</b>		<b>100,250</b>	<b>(6,457,715)</b>	<b>12,696,908</b>	<b>(12,039,428)</b>
<b>Attributable to:</b>					
Equity holders of the Company		1,484,594	(3,084,296)	12,696,908	(12,039,428)
Minority interests		(1,384,344)	(3,373,419)	-	-
		<b>100,250</b>	<b>(6,457,715)</b>	<b>12,696,908</b>	<b>(12,039,428)</b>
<b>Earnings/(loss) per share attributable to equity holders of the Company (sen):</b>					
Basic (continuing operations)	10	4.4	1.3		
Basic (discontinued operation)	10	(2.2)	(5.4)		
Basic, for profit/(loss) for the year	10	<b>2.2</b>	<b>(4.1)</b>		
Diluted (continuing operations)	10	4.4	1.3		
Diluted (discontinued operations)	10	(2.2)	(5.4)		
Diluted, for profit/(loss) for the year	10	<b>2.2</b>	<b>(4.1)</b>		

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

# Balance Sheets

As At 31 December 2007

		Group		Company	
	Note	2007 RM	2006 RM (restated)	2007 RM	2006 RM (restated)
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	74,370,052	117,811,993	-	-
Investment property	13	409,242	418,477	-	-
Prepaid land lease payments	14	14,663,406	14,779,560	-	-
Goodwill	15	1,633,024	1,633,024	-	-
Investment in subsidiaries	16	-	-	75,585,432	84,497,035
Other investments	17	249,493	276,928	-	-
Deferred tax assets	18	445,684	91,036	20,340	20,340
		<u>91,770,901</u>	<u>135,011,018</u>	<u>75,605,772</u>	<u>84,517,375</u>
<b>Current assets</b>					
Inventories	19	26,248,396	23,958,078	-	-
Trade receivables	20	68,336,511	76,543,814	-	-
Other receivables	21	3,953,094	3,533,935	4,705,344	48,014
Tax recoverable		1,005,943	1,596,696	130,595	130,595
Cash and bank balances	22	3,847,072	6,352,591	70,612	102,098
		<u>103,391,016</u>	<u>111,985,114</u>	<u>4,906,551</u>	<u>280,707</u>
Assets of disposal group classified as held for sale	9	66,563,476	-	8,911,603	-
		<u>169,954,492</u>	<u>111,985,114</u>	<u>13,818,154</u>	<u>280,707</u>
<b>TOTAL ASSETS</b>		<u>261,725,393</u>	<u>246,996,132</u>	<u>89,423,926</u>	<u>84,798,082</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
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)	(1,699,820)	-	-
Retained earnings/ (Accumulated losses)	26	9,931,609	8,447,015	1,110,327	(11,586,581)
Foreign exchange reserve relating to assets classified as held for sale		(1,999,337)	-	-	-
Shareholders' equity		<u>94,321,380</u>	<u>93,153,696</u>	<u>87,516,828</u>	<u>74,819,920</u>
Minority interests		6,090,015	7,734,734	-	-
<b>Total equity</b>		<u>100,411,395</u>	<u>100,888,430</u>	<u>87,516,828</u>	<u>74,819,920</u>

# Balance Sheets

	Note	Group 2007 RM	2006 RM (restated)	Company 2007 RM	2006 RM (restated)
<b>Non-current liabilities</b>					
Long-term borrowings	27	13,362,377	24,124,193	1,387,564	1,972,526
Deferred tax liabilities	18	3,680,068	3,670,747	-	-
Non-current liabilities		<u>17,042,445</u>	<u>27,794,940</u>	<u>1,387,564</u>	<u>1,972,526</u>
<b>Current liabilities</b>					
Short term borrowings	27	81,305,254	77,627,464	463,610	246,568
Trade payables	29	11,948,722	32,960,241	-	-
Other payables	30	6,251,573	7,706,536	55,924	7,759,068
Current tax payable		103,489	18,521	-	-
		<u>99,609,038</u>	<u>118,312,762</u>	<u>519,534</u>	<u>8,005,636</u>
Liabilities directly associated with assets classified as held for sale	9	44,662,515	-	-	-
		<u>144,271,553</u>	<u>118,312,762</u>	<u>519,534</u>	<u>8,005,636</u>
<b>Total liabilities</b>		<u>161,313,998</u>	<u>146,107,702</u>	<u>1,907,098</u>	<u>9,978,162</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>261,725,393</u>	<u>246,996,132</u>	<u>89,423,926</u>	<u>84,798,082</u>

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

# Statements Of The Changes In Equity

For The Year Ended 31 December 2007

	Attributable to Equity Holders of the Company					Total RM	Minority interests RM	Total equity RM
	Share capital (Note 23) RM	Share premium (Note 24) RM	Foreign exchange reserve (Note 25) RM	Relating to assets held for sale RM	Retained earnings (Note 26) RM			
<b>Group - 2006</b>								
At 1 January 2006	75,250,601	11,155,900	(479,126)	-	808,904	86,736,279	12,499,412	99,235,691
Effect of FRS 3 (Note 2.2(b))	-	-	-	-	4,815,190	4,815,190	-	4,815,190
- Previously stated	75,250,601	11,155,900	(479,126)	-	5,624,094	91,551,469	12,499,412	104,050,881
- Prior year adjustment (Note 2.4)	-	-	-	-	5,907,217	5,907,217	-	5,907,217
- Restated	75,250,601	11,155,900	(479,126)	-	11,531,311	97,458,686	12,499,412	109,958,098
Foreign currency translation, representing net expense recognised directly in equity Loss for the year	-	-	(1,220,694)	-	-	(1,220,694)	(1,391,259)	(2,611,953)
Total recognised income and expense for the year	-	-	-	-	(3,084,296)	(3,084,296)	(3,373,419)	(6,457,715)
At 31 December 2006	75,250,601	11,155,900	(1,699,820)	-	(3,084,296)	(4,304,990)	(4,764,678)	(9,069,668)
					8,447,015	93,153,696	7,734,734	100,888,430

At 31 December 2007

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# Statements Of The Changes In Equity

	← Non-Distributable →		Distributable Retained earnings/ (Accumulated losses)	
	Share capital (Note 23) RM	Share premium (Note 24) RM	(Note 26) RM	Total RM
<b>Company</b>				
At 1 January 2006	75,250,601	11,155,900	452,847	86,859,348
Loss for the year, representing total recognised income and expense for the year	-	-	(12,039,428)	(12,039,428)
At 31 December 2006	75,250,601	11,155,900	(11,586,581)	74,819,920
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

# Cash Flow Statements

For The Year Ended 31 December 2007

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit/(loss) before tax					
- Continuing operations		3,436,660	775,478	13,310,537	(12,039,428)
- Discontinued operation		(3,048,207)	(7,452,580)	-	-
Adjustments for :					
Depreciation					
- Property, plant and equipment	12	8,756,348	9,331,962	-	-
- Investment property	13	9,235	9,235	-	-
Amortisation of land lease payments	14	252,428	220,112	-	-
Loss/(gain) on disposal of property, plant and equipment		1,102,235	(55,795)	-	-
Impairment loss on investment in subsidiary		-	-	-	12,000,000
Investment written off		25,000	-	-	-
Unrealised foreign exchange losses/(gains)		97,246	(182,494)	(121,353)	(174,906)
Bad debts written off		6,412	3,394	-	-
Provision for doubtful debts		2,842,029	(77,064)	-	-
Dividend income		(157)	(819)	-	-
Interest expense		6,881,670	6,748,988	162,443	185,442
Interest income		(99,740)	(517,398)	(246)	(341)
Operating profit/(loss) before working capital changes		20,261,159	8,803,019	13,351,381	(29,233)
(Increase)/decrease in inventories		(9,305,298)	767,503	-	-
Increase in receivables		(12,856,536)	(2,590,596)	(4,657,330)	(73,806)
Increase/(decrease) in payables		5,917,120	10,308,864	(7,703,144)	590,032
Cash generated from operations		4,016,445	17,288,790	990,907	486,993
Interest paid		(6,881,670)	(6,748,988)	(162,443)	(185,442)
Interest received		99,740	517,398	246	341
Taxes refunded/(paid)		42,191	(17,855)	(613,629)	49,672
Net cash (used in)/generated from operating activities		(2,723,294)	11,039,345	215,081	351,564

# Cash Flow Statements

		Group		Company	
	Note	2007 RM	2006 RM	2007 RM	2006 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Net dividends received		157	819	-	-
Decrease in other investments		-	613	-	-
Proceeds from disposal of property, plant and equipment		601,240	842,026	-	-
Prepaid land lease payments	14	(581,708)	-	-	-
Purchase of property, plant and equipment	12(c)	(5,800,292)	(1,585,480)	-	-
Net cash used in investing activities		<u>(5,780,603)</u>	<u>(742,022)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of term loans		(6,138,269)	(17,578,586)	(246,567)	(266,000)
Repayment of finance lease payables		(3,558,303)	(3,626,547)	-	-
Short term borrowings		<u>19,219,285</u>	<u>(639,953)</u>	<u>-</u>	<u>-</u>
Net cash generated from/(used in) financing activities		<u>9,522,713</u>	<u>(21,845,086)</u>	<u>(246,567)</u>	<u>(266,000)</u>
<b>CASH AND CASH EQUIVALENTS</b>					
Net increase/(decrease) during the year		1,018,816	(11,547,763)	(31,486)	85,564
Effect of foreign exchange rate changes		1,006,442	2,893,177	-	-
At beginning of year		<u>(6,054,907)</u>	<u>2,599,679</u>	<u>102,098</u>	<u>16,534</u>
At end of year	22	<u>(4,029,649)</u>	<u>(6,054,907)</u>	<u>70,612</u>	<u>102,098</u>

# Notes To The Financial Statements

31 December 2007

## 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 and trading of wrapping paper materials. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 April 2008.

## 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"). At the beginning of the current financial year, the Company adopted new and revised FRSS as described fully in Note 2.3.

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

##### (i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of 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.

# Notes To The Financial Statements

31 December 2007

## (ii) Basis of Consolidation

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

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

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair 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.

Prior to 1 January 2006, negative goodwill was stated at cost and offsetted against goodwill which was stated at cost less impairment loss and are not amortised. Under FRS 3, which became applicable during the previous year, the negative goodwill as at 1 January 2006 of RM4,815,190 was derecognised with a corresponding increase in retained earnings.

# Notes To The Financial Statements

31 December 2007

## (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% - 20%
Other assets	10% - 20%

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

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

## (d) Investment Properties

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

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

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 fair value.

# Notes To The Financial Statements

## (e) Impairment of Non-Financial Assets

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

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.

# Notes To The Financial Statements

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

## (g) Financial Instruments

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

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

### (i) Cash and Cash Equivalents

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

### (ii) Other Non-Current Investments

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

### (iii) Marketable Securities

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

### (iv) Trade Receivables

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

### (v) Trade Payables

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

# Notes To The Financial Statements

## (vi) Interest-Bearing Borrowings

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

## (vii) Equity Instruments

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

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

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

## (h) Leases

### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings 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:

- 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.

# Notes To The Financial Statements

## (ii) Finance Leases - the Group as Lessee

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

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element 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.

# Notes To The Financial Statements

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.

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.

## **(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:

# Notes To The Financial Statements

(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.

**(I) Foreign Currencies**

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

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

# Notes To The Financial Statements

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

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

## (iii) Foreign Operations

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 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.

# Notes To The Financial Statements

## (o) 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.

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

The Malaysian Accounting Standards Board ("MASB") has issued the following new and revised FRSs that are effective for financial periods beginning on or after 1 October 2006 and 1 January 2007 and the Group has also early adopted FRS 112 - Income Taxes, for its financial period beginning 1 January 2007:

- (i) FRS 6 - Exploration for and Evaluation of Mineral Resources
- (ii) FRS 112 - Income Taxes
- (iii) FRS 117 - Leases
- (iv) FRS 124 - Related Party Disclosures
- (v) Amendment to FRS 1192004 - Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The new and revised FRSs above do not have any other significant impact on the financial statements of the Company except for the changes in accounting policies and their effects as follows:

- (i) FRS 112 - Income Taxes

Prior to 1 January 2007, recognition of deferred tax on assets that qualify for re-investment or other similar allowances in excess of normal capital allowances was prohibited. The adoption of the revised FRS 112 has resulted in a change in the accounting policy whereby deferred tax is to be recognised on such unused allowances to the extent that it is probable that future taxable profit will be available against which these unused allowances can be utilised.

# Notes To The Financial Statements

## (ii) FRS 117 - Leases

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses, if any. The adoption of the revised FRS 117 has resulted in a change in the accounting policy whereby leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element 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.

## (iii) FRS 124 - Related Party Disclosures

The adoption of FRS 124 gave rise to additional disclosures on related party transactions and balances but has no effect on the results and financial position of the Group and of the Company.

## 2.4 Effects of new and revised FRSs on the current year's financial statements

The changes in accounting policies as a result of the new and revised FRSs as disclosed in Note 2.3 had the effect of increasing/(decreasing) the line items in the Group's financial statements for the current financial year by the following amounts:

	Effect of FRS 112 RM	Effect of FRS 117 RM	Total RM
<b>Balance sheet</b>			
Deferred tax assets	445,684	-	445,684
Deferred tax liabilities	(4,805,188)	-	(4,805,188)
Retained profits	4,805,188	-	4,805,188
Property, plant and equipment	-	(14,663,406)	(14,663,406)
Prepaid land lease payments	-	14,663,406	14,663,406
<b>Income statement</b>			
Tax expense	590,832	-	590,832
Profit for the year	(590,832)	-	(590,832)

There is no impact on the Company's financial statements for the current year.

# Notes To The Financial Statements

The following comparatives in the Group's financial statements have been restated as follows:

	Previously stated RM	Effect of FRS 112 RM	Effect of FRS 117 RM	Restated RM
<b>Balance sheet</b>				
Property, plant and equipment	132,591,553	-	(14,779,560)	117,811,993
Prepaid land lease payments	-	-	14,779,560	14,779,560
Deferred tax liability	9,512,451	(5,841,704)	-	3,670,747
Retained profits:				
At 1 January 2006	5,624,094	5,907,217	-	11,531,311
At 31 December 2006	2,605,311	5,841,704	-	8,447,015
<b>Income statement</b>				
Tax income	284,900	(65,513)	-	219,387
Loss for the year	(6,392,202)	(65,513)	-	(6,457,715)

There is no impact on the comparatives in the Company's financial statements.

## 2.5 Standards and Interpretations Issued but Not Yet Effective

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

- (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
- (v) FRS 134 - Interim Financial Reporting
- (vi) FRS 137 - Provisions, Contingent Liabilities and Contingent Assets
- (vii) FRS 139 - Financial Instruments : Recognition and Measurement
- (viii) Amendment to FRS 121 - The Effect of Changes in Foreign Exchange Rates
- (ix) IC Interpretation 1 - Changes in Existing Decommissioning, Restoration & Similar
- (x) IC Interpretation 2 - Members' Shares in Co-operative Entities & Similar Instruments
- (xi) IC Interpretation 5 - Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds
- (xii) IC Interpretation 6 - Liabilities arising from Participating in a Specific Market – Waste Electrical & Electronic Equipment
- (xiii) IC Interpretation 7 - Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- (xiv) IC Interpretation 8 - Scope of FRS 2

# Notes To The Financial Statements

The above FRSs, amendments to FRSs and Interpretations, except for FRS 139, will become effective for financial periods beginning on or after 1 July 2007 and are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application. The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139, the effective date of which has been deferred.

## **2.6 Significant Accounting Estimates and Judgements**

### **(a) Critical Judgements 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.

#### **(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 2007 is RM1,633,024 (2006 : 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. The total carrying value of unutilised tax losses and unabsorbed allowances of the Group and of the Company relating to continuing operations was RM21,853,000 (2006: RM23,659,000), all of which was recognised as deferred tax assets.

# Notes To The Financial Statements

## 3. REVENUE

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Sales of goods	160,835,204	168,180,654	-	-
Dividend income from subsidiary	-	-	13,636,200	227,270
Management fees from subsidiaries	-	-	150,000	150,000
	<u>160,835,204</u>	<u>168,180,654</u>	<u>13,786,200</u>	<u>377,270</u>

## 4. OTHER INCOME

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Dividend income on equity investments, quoted in Malaysia	157	819	-	-
Foreign exchange differences	128,135	839,965	128,135	184,968
Interest income	64,962	498,188	246	341
Office rental received	236,400	175,100	-	-
Insurance claim	1,281,784	-	-	-
Others	175,810	146,702	-	-
	<u>1,887,248</u>	<u>1,660,774</u>	<u>128,381</u>	<u>185,309</u>

## 5. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Employee benefits expense (Note 6)	17,933,947	18,739,852	13,428	107,930
Non-executive directors' remuneration (Note 7)	128,420	101,500	89,500	71,500
Auditors' remuneration				
- Statutory audit (current year)	112,197	112,109	27,000	25,000
- Statutory audit (prior year)	-	(4,300)	-	9,250
- Other services	16,965	68,460	41,317	41,000

# Notes To The Financial Statements

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Bad debts written off	6,412	3,394	-	-
Provision for doubtful debts	1,978,481	(292,098)	-	-
Foreign exchange losses	127,497	-	-	-
Impairment loss on investment in subsidiary	-	-	-	12,000,000
Depreciation				
- Property, plant and equipment (Note 12)	5,952,532	6,460,044	-	-
- Investment property (Note 13)	9,235	9,235	-	-
Amortisation of prepaid land lease payments (Note 14)	243,148	210,832	-	-
Loss/(gain) on disposal of property, plant and equipment	1,102,235	(55,795)	-	-
Investment written off	25,000	-	-	-
Minimum operating lease payments				
- Land and buildings	600,607	590,130	-	-
- Plant and equipment	17,400	13,200	-	-
Rental receivable from operating leases	(236,400)	(175,100)	-	-
Gross dividend	(157)	(819)	-	-

## 6. EMPLOYEE BENEFITS EXPENSE

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Executive directors (Note 7)</b>				
Directors of the Company	1,013,269	841,753	13,000	40,500
Other directors of subsidiaries	506,591	371,635	-	-
	<u>1,519,860</u>	<u>1,213,388</u>	<u>13,000</u>	<u>40,500</u>
<b>Other key management personnel</b>				
Salaries and wages	156,815	123,521	-	-
Defined contribution plans	17,110	14,860	-	-
	<u>173,925</u>	<u>138,381</u>	<u>-</u>	<u>-</u>
<b>Other staff costs</b>				
Salaries and wages	11,846,415	12,294,401	-	55,500
Defined contribution plans	948,492	1,044,172	-	11,520
Other related costs	3,445,255	4,049,510	428	410
	<u>16,240,162</u>	<u>17,388,083</u>	<u>428</u>	<u>67,430</u>
	<u>17,933,947</u>	<u>18,739,852</u>	<u>13,428</u>	<u>107,930</u>

# Notes To The Financial Statements

## 7. DIRECTORS' REMUNERATION

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Directors of the Company</b>				
Executive (Note 6):				
Fees	120,000	120,000	-	30,000
Salaries and other emoluments	798,150	650,131	13,000	10,500
Defined contribution plans	95,119	71,622	-	-
	1,013,269	841,753	13,000	40,500
Estimated money value of benefits-in-kind	31,748	63,140	-	-
	1,045,017	904,893	13,000	40,500
Non-Executive (Note 5):				
Fees	112,000	92,500	77,000	62,500
Other emoluments	16,000	9,000	12,500	9,000
Defined contribution plans	420	-	-	-
	128,420	101,500	89,500	71,500
<b>Other directors of subsidiaries</b>				
Executive (Note 6):				
Salaries and other emoluments	453,265	332,070	-	-
Defined contribution plans	53,326	39,565	-	-
	506,591	371,635	-	-
Estimated money value of benefits-in-kind	23,900	-	-	-
	530,491	371,635	-	-
Total directors' remuneration including benefits-in-kind	1,703,928	1,378,028	102,500	112,000

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

	2007	2006
<b>Executive directors</b>		
RM50,001 to RM100,000	-	2
RM100,001 to RM150,000	1	-
RM200,001 to RM250,000	-	1
RM250,001 to RM300,000	1	-
RM500,001 to RM550,000	-	1
RM600,001 to RM650,000	1	-
<b>Non-executive directors</b>		
Below RM50,000	3	3

# Notes To The Financial Statements

## 8. TAX EXPENSE/(INCOME)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Current tax:				
Malaysian income tax	633,377	77,622	613,629	-
Foreign tax	-	13,444	-	-
Underprovision in prior years	153	-	-	-
	<u>633,530</u>	<u>91,066</u>	<u>613,629</u>	<u>-</u>
Deferred tax (Note 18):				
Relating to origination and reversal of temporary differences	17,228	662,429	-	-
Relating to reduction in income tax rate	(341,336)	(751,742)	-	-
Overprovision in prior years	(21,219)	(221,140)	-	-
	<u>(345,327)</u>	<u>(310,453)</u>	<u>-</u>	<u>-</u>
	<u>288,203</u>	<u>(219,387)</u>	<u>613,629</u>	<u>-</u>

Income tax is calculated at the Malaysian statutory tax rate of 27% (2006 : 28%) of the estimated assessable profit for the year. The statutory tax rate will be reduced to 26% effective year of assessment 2008 and to 25% effective year of assessment 2009. The computation of deferred tax as at 31 December 2007 has reflected these changes.

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit/(loss) before tax from:				
- Continuing operations	3,436,660	775,478	13,310,537	(12,039,428)
- Discontinued operation (Note 9)	(3,048,207)	(7,452,580)	-	-
	<u>388,453</u>	<u>(6,677,102)</u>	<u>13,310,537</u>	<u>(12,039,428)</u>
Taxation at 27% (2006 : 28%)	104,882	(1,869,589)	3,593,845	(3,371,040)
Effect of different tax rates in other countries	473,619	1,727,331	-	-
Effect of income subject to tax rate of 20% (2006 : 20%)	(32,152)	-	-	-
Effect of changes in tax rates on opening balance of deferred tax	(79,336)	(377,732)	(1,023)	-
Deferred tax recognised at different tax rates	(262,000)	(374,010)	-	-

# Notes To The Financial Statements

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Effect of expenses not deductible for tax purposes	635,298	523,124	88,952	3,371,040
Effect of income not subject to tax	-	-	(3,068,145)	-
Effect of utilisation of current year's reinvestment allowances	(512,648)	-	-	-
Deferred tax asset recognised on unabsorbed re-investment allowances	(367,791)	-	-	-
Deferred tax asset not recognised on unutilised losses	349,397	372,629	-	-
Underprovision of current tax in prior years	153	-	-	-
Overprovision of deferred tax in prior years	(21,219)	(221,140)	-	-
Income tax expense for the year	<u>288,203</u>	<u>(219,387)</u>	<u>613,629</u>	<u>-</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Unabsorbed tax losses	537,000	501,000	72,643	72,643
Unabsorbed capital allowances	373,000	-	-	-
Unabsorbed re-investment allowances	20,943,000	23,158,000	-	-
	<u>21,853,000</u>	<u>23,659,000</u>	<u>72,643</u>	<u>72,643</u>

## 9. DISCONTINUED OPERATION AND DISPOSAL GROUP HELD FOR SALE

On 20 November 2007, the Company entered into an agreement to dispose of its subsidiary, Yuen Foong Yu Paper Enterprise Dong Nai Company Limited ("YFYP") (formerly known as Ornapaper Vietnam Co. Ltd.) for USD2.64 million. The disposal was approved by the shareholders on 31 January 2008 and is expected to be completed by 30 April 2008. As at 31 December 2007, the assets and liabilities of YFYP have been presented on the consolidated balance sheet as a disposal group held for sale and the results from this subsidiary are presented separately on the consolidated income statement as a discontinued operation. The carrying amount of the investment in this subsidiary is presented as a non-current asset held for sale on the Company's balance sheet as at 31 December 2007.

# Notes To The Financial Statements

An analysis of the results of the discontinued operation are as follows:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Revenue	50,848,465	36,097,957
Administration and general expenses	(52,277,373)	(41,895,236)
Interest income	34,778	19,210
Interest expense	(1,654,077)	(1,674,511)
Loss for the year from discontinued operation	<u>(3,048,207)</u>	<u>(7,452,580)</u>

The following amounts have been included in arriving at loss after tax of discontinued operation:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Auditors' remuneration		
- Statutory audit	14,895	33,751
- Other services	-	25,972
Employee benefits expense	2,633,924	2,596,318
Foreign exchange losses	12,468	518,193
Depreciation of property, plant and equipment (Note 12)	2,803,816	2,871,918
Amortisation of prepaid land lease (Note 14)	9,280	9,280
Provision for doubtful debts	<u>863,548</u>	<u>215,034</u>

The cash flows attributable to the discontinued operation are as follows:

Operating cash flows	3,106,427	667,954
Investing cash flows	(748,928)	(339,842)
Financing cash flows	<u>(1,462,555)</u>	<u>(1,614,130)</u>
Total cash flows	<u>894,944</u>	<u>(1,286,018)</u>

The carrying amounts of the major classes of assets and liabilities of YFYP classified as held for sale on the balance sheets as at 31 December 2007 are as follows:

	<b>Group</b>	<b>Company</b>
	<b>RM</b>	<b>RM</b>
<b>Assets</b>		
Property, plant and equipments (Note 12)	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)	<u>2,082,071</u>	<u>-</u>
Assets of disposal group classified as held for sale	<u>66,563,476</u>	<u>8,911,603</u>

# Notes To The Financial Statements

	Group RM	Company RM
<b>Liabilities</b>		
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	<u>44,662,515</u>	<u>-</u>

## 10. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share amounts are calculated by dividing the profit/(loss) 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	
	2007 RM	2006 RM
Attributable to ordinary equity holders of the Company:		
Profit from continuing operations	3,161,108	1,014,623
Loss from discontinuing operations	(1,676,514)	(4,098,919)
Profit /(loss) for the year	<u>1,484,594</u>	<u>(3,084,296)</u>
Weighted average number of ordinary share in issue	<u>75,250,601</u>	<u>75,250,601</u>
Basic and diluted earnings per share (sen):		
Profit from continuing operations	4.4	1.3
Loss from discontinuing operation	(2.2)	(5.4)
Profit/(loss) for the year	<u>2.2</u>	<u>(4.1)</u>

## 11. DIVIDEND

At the forthcoming Annual General Meeting, a first and final tax exempt dividend in respect of the current financial year of 1% on 72,250,601 ordinary shares, amounting to a total dividend payable of RM722,506 (one sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2008.

# Notes To The Financial Statements

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings RM</b>	<b>Plant and machinery RM</b>	<b>Other assets RM</b>	<b>Total RM</b>
<b>Group - 2007</b>				
<b>Cost</b>				
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)	(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
<b>Accumulated depreciation</b>				
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 operation (Note 9)	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)	(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
<b>Net carrying amount</b>	28,871,522	43,582,374	1,916,156	74,370,052
<b>Group - 2006</b>				
<b>Cost</b>				
At 1 January 2006	48,850,246	121,887,822	12,036,970	182,775,038
Additions	381,524	927,252	276,704	1,585,480
Disposals	-	(314,724)	(962,337)	(1,277,061)
Exchange differences	(1,886,690)	(3,825,647)	(215,882)	(5,928,219)
At 31 December 2006	47,345,080	118,674,703	11,135,455	177,155,238

# Notes To The Financial Statements

	<b>Buildings RM</b>	<b>Plant and machinery RM</b>	<b>Other assets RM</b>	<b>Total RM</b>
<b>Accumulated depreciation</b>				
At 1 January 2006	5,400,863	38,683,703	6,840,636	50,925,202
Charge for the year				
-Continuing operation (Note 5)	788,529	4,741,053	930,462	6,460,044
-Discontinued operation (Note 9)	360,388	2,189,133	322,397	2,871,918
	1,148,917	6,930,186	1,252,859	9,331,962
Disposals	-	(288,928)	(201,902)	(490,830)
Exchange differences	(35,214)	(343,902)	(43,973)	(423,089)
At 31 December 2006	6,514,566	44,981,059	7,847,620	59,343,245
<b>Net carrying amount</b>	<b>40,830,514</b>	<b>73,693,644</b>	<b>3,287,835</b>	<b>117,811,993</b>

- (a) Other assets comprise motor vehicles, office equipment, furniture, fittings and office renovation and capital work in progress. The cost of work in progress at the end of the financial year was RM102,603 (2006 : RM102,706).
- (b) The net carrying amount of property, plant and equipment pledged to secure bank borrowings as referred to in Note 27 are as follow:

	<b>Group 2007 RM</b>	<b>2006 RM</b>
Factory buildings	28,871,522	40,830,514
Plant and machinery	41,003,528	72,917,925
Others	1,916,156	3,287,835
	<b>71,791,206</b>	<b>117,036,274</b>

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

	<b>Group 2007 RM</b>	<b>2006 RM</b>
Cash	5,800,292	1,585,480
Lease financing	2,120,880	-
	<b>7,921,172</b>	<b>1,585,480</b>

- (d) The net carrying amount of property, plant and equipment being acquired under instalment payment plans amounts to RM15,637,723 (2006: RM16,021,396).

# Notes To The Financial Statements

## 13. INVESTMENT PROPERTY

	Group 2007 RM	2006 RM
<b>Cost</b>		
At 1 January/31 December	461,742	461,742
<b>Accumulated depreciation</b>		
At 1 January	43,265	34,030
Charge for the year	9,235	9,235
At 31 December	52,500	43,265
<b>Net carrying amount</b>	409,242	418,477
Fair value	420,000	420,000

The investment property is pledged to secure bank borrowings as referred to in Note 27.

Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

## 14. PREPAID LAND LEASE PAYMENTS

	Group 2007 RM	2006 RM
At 1 January	14,779,560	14,999,672
Additions	581,708	-
Recognised in income statement		
- Continuing operations (Note 5)	(243,148)	(210,832)
- Discontinued operation (Note 9)	(9,280)	(9,280)
	(252,428)	(220,112)
Reclassified as held for sale (Note 9)	(445,434)	-
At 31 December	14,663,406	14,779,560
Relating to:		
Long term leasehold land	11,187,907	10,771,172
Short term leasehold land	3,475,499	4,008,388
	14,663,406	14,779,560

The above properties are pledged to secure bank borrowings as referred to in Note 27.

# Notes To The Financial Statements

## 15. GOODWILL

Group	Negative goodwill RM	Goodwill RM	Total RM
At 1 January 2006	(4,815,190)	1,633,024	(3,182,166)
Effect of adopting FRS 3:			
Transferred to opening retained earnings	4,815,190	-	4,815,190
At 31 December 2006/2007	-	1,633,024	1,633,024

### Impairment tests for goodwill

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

	Group 2007 RM	2006 RM
Ornapaper Industry (Perak) Sdn. Bhd.	1,573,698	1,573,698
Ornapaper Industry (Johor) Sdn. Bhd.	59,326	59,326
	<u>1,633,024</u>	<u>1,633,024</u>

### 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.	
	2007	2006	2007	2006
Gross margin	19%	18%	15%	14%
Growth rate	4%	4%	2%	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 increased for expected efficiency improvements.

# Notes To The Financial Statements

- (ii) **Growth rate**  
The weighted average growth rates used are consistent with past experience.
- (iii) **Discount rate**  
The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.
- (iv) **Bond rate**  
The bond rates used are the yield on a 5-year Malaysian government bond rate at the beginning of the budgeted year.

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

## 16. INVESTMENT IN SUBSIDIARIES

	<b>Company</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares at cost	75,585,432	96,497,035
Accumulated impairment losses	-	(12,000,000)
	<u>75,585,432</u>	<u>84,497,035</u>

Details of the subsidiaries are as follows :

Name of Subsidiaries	Country of Incorporation	Proportion of Ownership Interest (%)		Principal Activities
		2007	2006	
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

# Notes To The Financial Statements

Name of Subsidiaries	Country of Incorporation	Proportion of Ownership Interest (%)		Principal Activities
		2007	2006	
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.) * ("YFYP")	Vietnam	55	55	Manufacturing of corrugated boards and carton boxes
<b>Subsidiary of Ornapaper Industry (M) Sdn. Bhd.</b>				
Hello Paper Co Ltd. *	Republic of China	52	52	Trading of wrapping paper materials

\* Not audited by Ernst & Young

- (a) The auditors' reports on the financial statements of YFYP emphasised that the continuance of the subsidiary as going concern depends on the investor continuing to provide financial assistance as is necessary to enable the entity to meet its liabilities as and when they fall due and to maintain the entity in existence as a going concern for the foreseeable future.
- (b) The investment cost of YFYP is disclosed under Note 9.

## 17. OTHER INVESTMENTS

	Group	
	2007 RM	2006 RM
At cost:		
Quoted shares	19,400	19,400
Unquoted shares	225,000	225,000
Club membership	-	25,000
Others	5,093	7,528
	<u>249,493</u>	<u>276,928</u>
Market value of quoted shares	15,510	35,170

# Notes To The Financial Statements

## 18. DEFERRED TAX ASSETS/LIABILITIES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
At 1 January	3,579,711	3,890,164	(20,340)	(20,340)
Recognised in income statement (Note 8)	(345,327)	(310,453)	-	-
At 31 December	<u>3,234,384</u>	<u>3,579,711</u>	<u>(20,340)</u>	<u>(20,340)</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets	(445,684)	(91,036)	(20,340)	(20,340)
Deferred tax liabilities	<u>3,680,068</u>	<u>3,670,747</u>	<u>-</u>	<u>-</u>
	<u>3,234,384</u>	<u>3,579,711</u>	<u>(20,340)</u>	<u>(20,340)</u>

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

	As at 1 January	Recognised in income statement	As at 31 December
<b>Group - 2007</b>			
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)
	<u>3,579,711</u>	<u>(345,327)</u>	<u>3,234,384</u>
<b>Group - 2006</b>			
Property, plant and equipment	9,991,225	(447,177)	9,544,048
Unutilised tax losses	(167,518)	44,885	(122,633)
Unabsorbed capital allowances	(26,326)	26,326	-
Unabsorbed re-investment allowances	(5,907,217)	65,513	(5,841,704)
	<u>3,890,164</u>	<u>(310,453)</u>	<u>3,579,711</u>
<b>Company - 2007</b>			
Unutilised tax losses	<u>(20,340)</u>	-	<u>(20,340)</u>
<b>Company - 2006</b>			
Unutilised tax losses	<u>(20,340)</u>	-	<u>(20,340)</u>

# Notes To The Financial Statements

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

	Group 2007 RM	2006 RM
Discontinued operation:..		
Unutilised tax losses	20,837,790	17,789,583

## 19. INVENTORIES

	Group 2007 RM	2006 RM
At cost :		
Raw materials and consumables	24,111,305	21,976,774
Work-in-progress	94,083	217,954
Finished goods	2,043,008	1,763,350
	26,248,396	23,958,078

## 20. TRADE RECEIVABLES

	Group 2007 RM	2006 RM
Trade receivables	69,905,389	76,421,892
Provision for doubtful debts	(3,500,539)	(1,744,857)
	66,404,850	74,677,035
Related parties	1,931,661	1,866,779
	68,336,511	76,543,814

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

The Group's normal credit term ranges from 30 to 120 (2006 : 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% (2006 : 0.50% to 1.50%) per month is charged on the amount due from certain debtors exceeding credit terms.

The Group has significant concentration of credit risk that may arise from exposure to two debtors which amounted to RM15,164,919 (2006 : RM15,039,317) which represents 23% (2006 : 20%) 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.

# Notes To The Financial Statements

## 21. OTHER RECEIVABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Deposits and prepayments	1,483,930	1,713,190	14,124	17,181
Other receivables	2,501,141	1,127,135	-	-
Import tax receivables	-	693,610	-	-
Due from subsidiaries	-	-	4,691,220	30,833
	<u>3,985,071</u>	<u>3,533,935</u>	<u>4,705,344</u>	<u>48,014</u>
Provision for doubtful debts	(31,977)	-	-	-
	<u>3,953,094</u>	<u>3,533,935</u>	<u>4,705,344</u>	<u>48,014</u>

The amounts due from subsidiaries 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. The Company has significant concentration of credit risk that may arise from exposure to the amount due from subsidiaries, the debts of which collectively account for 99% (2006 : 64%) of the total gross amount receivables.

## 22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash on hand and at banks	3,799,129	6,305,361	70,612	102,098
Deposit with a licensed bank	47,943	47,230	-	-
Cash and bank balances	<u>3,847,072</u>	<u>6,352,591</u>	<u>70,612</u>	<u>102,098</u>

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

# Notes To The Financial Statements

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	
	2007	2006	2007	2006
Deposit with a licensed bank	3.8%	3.7%	365	365

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	3,847,072	6,352,591	70,612	102,098
Less: Bank overdrafts (Note 27)	(9,958,792)	(12,407,498)	-	-
	(6,111,720)	(6,054,907)	70,612	102,098
Cash and bank balance classified as held for sale (Note 9)	2,082,071	-	-	-
Total cash and cash equivalents	(4,029,649)	(6,054,907)	70,612	102,098

## 23. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2007	2006	2007 RM	2006 RM
<b>Authorised</b>				
At 1 January/31 December	100,000,000	100,000,000	100,000,000	100,000,000
<b>Issued and fully paid</b>				
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.

# Notes To The Financial Statements

## 25. FOREIGN EXCHANGE RESERVE

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

## 26. RETAINED EARNINGS

In the past, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007.

As at balance sheet date, the Company has sufficient credit in the Section 108 balance and sufficient tax exempt profits to pay distribute dividends out of its entire retained profits without incurring any additional tax liability.

## 27. BORROWINGS (SECURED)

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
<b>Short Term Borrowings</b>				
Bank overdrafts (Note 22)	9,958,792	12,407,498	-	-
Bankers' acceptances	59,663,833	41,995,881	-	-
Trust receipts	5,886,259	4,334,926	-	-
Term loans	2,359,095	15,483,295	463,610	246,568
Finance lease payables (Note 28)	3,437,275	3,405,864	-	-
	<u>81,305,254</u>	<u>77,627,464</u>	<u>463,610</u>	<u>246,568</u>

# Notes To The Financial Statements

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
<b>Long Term Borrowings</b>				
Term loans	8,233,189	17,526,171	1,387,564	1,972,526
Finance lease payables (Note 28)	5,129,188	6,598,022	-	-
	<u>13,362,377</u>	<u>24,124,193</u>	<u>1,387,564</u>	<u>1,972,526</u>
<b>Total Borrowings</b>				
Bank overdrafts	9,958,792	12,407,498	-	-
Bankers' acceptances	59,663,833	41,995,881	-	-
Trust receipts	5,886,259	4,334,926	-	-
Term loans	10,592,284	33,009,466	1,851,174	2,219,094
Finance lease payables	8,566,463	10,003,886	-	-
	<u>94,667,631</u>	<u>101,751,657</u>	<u>1,851,174</u>	<u>2,219,094</u>
<b>Maturity of borrowings (excluding finance lease payables):</b>				
Within one year	77,867,979	74,221,600	463,610	246,568
More than one year and not later than 2 years	2,237,456	6,613,096	463,610	493,136
More than 2 years and not later than 5 years	4,695,638	10,913,075	923,954	1,479,390
Later than 5 years	1,300,095	-	-	-
	<u>86,101,168</u>	<u>91,747,771</u>	<u>1,851,174</u>	<u>2,219,094</u>

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

	Group		Company	
	2007	2006	2007	2006
	%	%	%	%
Bank overdrafts	8.30	8.16	-	-
Bankers' acceptances	4.22	4.26	-	-
Trust receipts	8.10	7.80	-	-
Short term loans	7.09	8.47	-	-
Term loans	<u>6.83</u>	<u>7.31</u>	<u>7.43</u>	<u>7.85</u>

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.

# Notes To The Financial Statements

## 28. FINANCE LEASE PAYABLES

	Group	
	2007	2006
	RM	RM
<b>Minimum finance lease payments :</b>		
Within one year	3,879,935	3,982,444
Later than one year and not later than 2 years	2,879,852	3,410,891
Later than 2 years and not later than 5 years	2,619,532	3,678,814
	<u>9,379,319</u>	<u>11,072,149</u>
Less : Future finance charges	(812,856)	(1,068,263)
	<u>8,566,463</u>	<u>10,003,886</u>
 <b>Present value of finance lease payables :</b>		
Within one year	3,437,275	3,405,864
Later than one year and not later than 2 years	2,651,928	3,088,310
Later than 2 years and not later than 5 years	2,477,260	3,509,712
	<u>8,566,463</u>	<u>10,003,886</u>
Due within 12 months (Note 27)	(3,437,275)	(3,405,864)
Due after 12 months (Note 27)	<u>5,129,188</u>	<u>6,598,022</u>

The finance lease payables bore interest at the balance sheet date of between 2.71% to 6.80% (2006 : 2.50% to 5.50%) per annum.

## 29. TRADE PAYABLES

The credit terms granted to the Group range from 30 to 120 (2006 : 30 to 120) days.

## 30. OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Due to a subsidiary	-	-	-	7,717,888
Due to a director	-	1,021,853	-	-
Other payables and accruals	6,251,573	6,684,683	55,924	41,180
	<u>6,251,573</u>	<u>7,706,536</u>	<u>55,924</u>	<u>7,759,068</u>

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

# Notes To The Financial Statements

## 31. CAPITAL COMMITMENTS

	Group 2007 RM	2006 RM
Capital expenditure approved and contracted for: Property, plant and equipment	-	874,271

## 32. CONTINGENT LIABILITIES

	Company 2007 RM	2006 RM
Unsecured corporate guarantees given to bank for credit facilities granted to subsidiaries	95,232,000	79,791,000

## 33. 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 2007 RM	2006 RM
Sales to companies in which Tay Kim Huat, a director of a fellow subsidiary, has indirect interest :		
- Poh Huat Furniture Industries Vietnam Limited	2,906,693	3,057,525
- Poh Huat Furniture Industries (M) Sdn. Bhd.	3,740,158	2,931,597
- Poh Huat Woodwork (M) Sdn. Bhd.	1,995	41,817

	Company 2007 RM	2006 RM
Management fee charged to subsidiaries:		
- Ornapaper Industry (M) Sdn. Bhd.	140,000	140,000
- 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.

# Notes To The Financial Statements

## 34. 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:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Not later than 1 year	91,176	16,138
Later than 1 year but not later than 5 years	143,746	64,554
Later than 5 years	658,171	641,502
	<u>893,093</u>	<u>722,194</u>

## 35. 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 2007.

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

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

### (c) Foreign Exchange Risk

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

# Notes To The Financial Statements

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

	<b>Financial Assets/(Liabilities)</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Trade receivables	155,725	96,075
Trade payables	(15,199,825)	(13,126,391)
Other payables	(313,499)	(1,197,197)
Term loan	(24,488,167)	(29,249,588)
	<u>(39,845,766)</u>	<u>(43,477,101)</u>

## (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 close 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.

# Notes To The Financial Statements

## 36. SIGNIFICANT EVENT

On 20 November 2007, the Company entered into an agreement to dispose its entire 55% equity in YFYP for a total cash consideration of USD2.64 million. The disposal was approved by the shareholders on 31 January 2008 and is expected to be completed by 30 April 2008.

## 37. COMPARATIVES

The following amounts in the Group's income statement have been reclassified as follows:

	As previously stated RM	Reclassified due to Discontinued operation RM	Effect of FRS 112 RM	As restated RM
<b>Continuing operations</b>				
Revenue	204,278,611	(36,097,957)	-	168,180,654
Cost of sales	(181,107,495)	38,679,830	-	(142,427,665)
Gross profit	23,171,116	2,581,873	-	25,752,989
Other income	3,995,850	(2,335,076)	-	1,660,774
Administrative expenses	(9,118,196)	2,460,744	-	(6,657,452)
Selling and marketing expenses	(11,950,408)	2,394,374	-	(9,556,034)
Other expenses	(6,026,476)	676,154	-	(5,350,322)
Operating profit	71,886	5,778,069	-	5,849,955
Interest expense	(6,748,988)	1,674,511	-	(5,074,477)
(Loss)/profit before taxation	(6,677,102)	7,452,580	-	775,478
Tax income	284,900	-	(65,513)	219,387
(Loss)/profit from continuing operation (before tax)	(10,446,542)	11,506,920	(65,513)	994,865
Loss for the year from discontinued operation	-	(7,452,580)	-	(7,452,580)
Loss for the year	(6,392,202)	-	(65,513)	(6,457,715)
Loss for the year attributable to equity holders of the Company	(3,018,783)	-	(65,513)	(3,084,296)
<b>Earning/(loss) per share attributable to equity holders of the Company (sen)</b>				
Basic (continuing operations)	(4.0)	5.4	(0.1)	1.3
Basic (discontinued operation)	-	(5.4)	-	(5.4)
Basic (loss for the year)	(4.0)	-	(0.1)	(4.1)
Diluted (continuing operations)	(4.0)	5.4	(0.1)	1.3
Diluted (discontinued operation)	-	(5.4)	-	(5.4)
Diluted (loss for the year)	(4.0)	-	(0.1)	(4.1)

# Notes To The Financial Statements

## 38. SEGMENT INFORMATION

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

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

	Malaysia RM	Continuing Operations Vietnam RM	Others RM	Total RM	Discontinuing Operation Vietnam RM	Total Operations RM
<b>31 December 2007</b>						
<b>Revenue</b>						
External sales	160,586,206	-	248,998	160,835,204	50,848,465	211,683,669
<b>Results</b>						
Segment results	8,718,975	-	(54,722)	8,664,253	(1,493,422)	7,170,831
Interest expense	(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)
Net profit/(loss) for the year	3,203,179	-	(54,722)	3,148,457	(3,048,207)	100,250
<b>Assets</b>						
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

# Notes To The Financial Statements

	Malaysia RM	Continuing Operations Vietnam RM	Others RM	Total RM	Discontinuing Operation Vietnam RM	Total Operations RM
<b>Liabilities</b>						
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
<b>Other segment information</b>						
Capital expenditure	6,339,854	-	-	6,339,854	1,581,318	7,921,172
Depreciation of property, plant and equipment	5,952,514	-	18	5,952,532	2,803,816	8,756,348
Depreciation of investment property	9,235	-	-	9,235	-	9,235
Amortisation of 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>31 December 2006</b>						
<b>Revenue</b>						
External sales	167,406,483	-	774,171	168,180,654	36,097,957	204,278,611
<b>Results</b>						
Segment results	5,791,693	-	58,262	5,849,955	(5,778,069)	71,886
Interest expense	(5,074,477)	-	-	(5,074,477)	(1,674,511)	(6,748,988)
Profit/(loss) before tax	717,216	-	58,262	775,478	(7,452,580)	(6,677,102)
Tax expense	232,831	-	(13,444)	219,387	-	219,387
Net profit/(loss) for the year	950,047	-	44,818	994,865	(7,452,580)	(6,457,715)

# Notes To The Financial Statements

	Continuing Operation			Discontinuing Operation Vietnam RM	Total Operation RM
	Malaysia RM	Vietnam RM	Others RM	Total RM	
<b>Assets</b>					
Segment assets	182,075,342	62,799,540	433,518	245,308,400	245,308,400
Unallocated assets					1,687,732
Total assets					<u>246,996,132</u>
<b>Liabilities</b>					
Segment liabilities	95,945,854	46,448,036	24,544	142,418,434	142,418,434
Unallocated liabilities					3,689,268
Total liabilities					<u>146,107,702</u>
<b>Other segment information</b>					
Capital expenditure	1,207,910	377,570	-	1,585,480	1,585,480
Depreciation of property, plant and equipment	6,449,214	-	10,825	6,460,039	9,331,957
Depreciation of investment property	9,235	-	-	9,235	9,235
Amortisation of prepaid land lease payments	210,832	-	-	210,832	220,112
Other significant non-cash income	(1,119,002)	-	-	(1,119,002)	807,063
					(311,939)

## (b) Secondary reporting segment - Business segments

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

# List Of Landed Properties

As At 31 December 2007

Register Owner	Title / Location	Land Area (Square Metres)	Tenure From / To	Existing Use	Approximate Age of Building (Years)	Date of Acquisition	Net Book Value As at 31/12/2007 (RM'000)
OISB(M)	H. S. (M) 455 to H. S. (M) 470 Lot PT4944 to PT4959 Mukim of Bachang, District of Melaka Tengah, Melaka	33,720	Leasehold 99 Years Expiring On 24/09/2094	Industrial		16-Jan-96	
OISB(M)	H. S. (M) 471 to H. S. (M) 475 Lot PT4960 to PT4964 Mukim of Bachang, District of Melaka Tengah, Melaka	17,246	Leasehold 99 Years Expiring On 24/09/2094	Industrial	11	04-Mar-02	25,818
PKNM*	Lot PT 6127, Kawasan Perindustrian Batu Berendam IV, Melaka Factory No.: 8998, Kawasan Perindustrian Batu Berendam (PhaseIV) (Taman Perindustrian Batu Berendam), Batu Berendam, Melaka.	6,822		Industrial (Former Service Road)		01-Aug-03	
OISB(BP)	H. S. (D) 43098 Lot. No. PLO 271 (PTD39208), Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim Factory No. PLO 271, Jalan Kawasan Perindustrian Sri Gading, 83009 Batu Pahat, Johor Darul Takzim	19,928	Leasehold 60 Years Expiring On 10/07/2060	Industrial	10	27-Oct-97	4,062
OISB(PERAK)	H. S. (D) 10127, H.S. (D) 101313 To H. S. (D) 10135 Lot PT 80050, PT 80054 to PT 80058 Mukim of Hulu Kinta, District of Kinta, State of Perak Factory No. Plot 9, Persiaran Perindustrian Kanthan 2, Industrial Estate, 31200 Chemor, Perak Darul Ridzuan	42,808	Leasehold 60 Years Expiring On 2/1/2051	Industrial	17	25-May-90	5,858
TPSB	H. S. (M) 1176 Lot PT 67 Mukim of Bukit Katil, District of Melaka Tengah, State of Melaka.	10,604	Leasehold 99 Years Expiring On 7/4/2075	Industrial	28	19-Jun-00	4,842
OISB(JOHOR)	Factory No. 125, Ayer Keroh Industrial Estate, Ayer Keroh, 75450 Melaka. H. S. (M) 235151 Lot P.T.D. 113285 Mukim of Plentong, District of Johor Bahru, State of Johor. Factory No. 33, Jalan Cenderai 6, Taman Perindustrian Kota Puteri, 81750 Masai, Johor	708	Freehold	Industrial	14	14-Mar-02	409
OV	Factory No. Binh Son Village, Long Thanh District, Dong Nai Province, Vietnam	109,476	Leasehold 50 Years Expiring On 3/10/2053	Industrial	4	03-Oct-03	13,718

Notes:- OISB(M) - Ormapaper Industry (M) Sdn. Bhd.  
 OISB(BP) - Ormapaper Industry (Batu Pahat) Sdn. Bhd.  
 OISB(PERAK) - Ormapaper Industry (Perak) Sdn. Bhd.

TPSB - Tripack Packaging (M) Sdn. Bhd.  
 OISB (JOHOR) - Ormapaper Industry (Johor) Sdn. Bhd.  
 OV - Ormapaper Vietnam Co. Ltd.

PKNM - Perbadanan Kemajuan Negeri Melaka  
 \* OISB(M) had purchased the land From PKNM as Sale and Purchase agreement Dated 01/08/2003

# Shareholding Statistic

As At 8 May 2008

**Authorised Share Capital** : RM100,000,000  
**Issued and Fully paid-up capital** : RM75,250,601  
**Class of Shares** : Ordinary Shares of RM1.00 each  
**Voting Rights** : One Vote per Ordinary Share

## 1. DISTRIBUTION OF SHAREHOLDERS

Size of shareholdings	No. of Holders	%	No. of Shares	%
1 to 99	8	0.37	359	0.00
100 to 1,000	400	18.42	380,605	0.51
1,001 to 10,000	1,292	59.51	6,534,900	8.68
10,001 to 100,000	420	19.35	13,062,504	17.36
100,001 to 3,762,529	48	2.21	17,757,355	23.60
3,762,530 and above	3	0.14	37,514,878	49.85
	2,171	100.00	75,250,601	100.00

## 2. LIST OF SUBSTANTIAL SHAREHOLDERS (Based on the Register of Substantial Shareholders)

Name	Direct No. of Shares	%	Indirect No. of Share	%
Intisari Delima Sdn Bhd	18,634,888	24.76	-	-
Lembaga Tabung Haji	13,505,945	17.95	-	-
Lim Tau Lih	5,374,045	7.14	-	-
Ang Kwee Teng	10,000	-	18,634,888 *	24.76
See Wan Seng	-	-	18,634,888 *	24.76
Sai Chin Hock	93,000	-	21,870,212 #	29.06

## 3. DIRECTORS' SHAREHOLDINGS (Based on the Register of Directors' Shareholdings)

Name	No. of Shares	%	No. of Shares	%
Azhar bin Nayan	25,000	0.03	-	-
Lim Tau Lih	5,374,045	7.14	-	-
Ang Kwee Teng	10,000	0.01	18,634,888 *	24.76
See Wan Seng	-	-	18,634,888 *	24.76
Adillah binti Ahmad Nordin	14,000	0.02	-	-
Siow Kee Yen	130,500	0.17	-	-

Notes :-

\* Deemed interested by virtue of their shareholdings in Intisari Delima Sdn Bhd

# Deemed interested by virtue of him being the father to Mr Sai Seak Chyuan, Mr Sai Tzy Horng, a substantial shareholder of Pilihan SistematiK Sdn Bhd and by virtue of his substantial shareholdings in Intisari Delima Sdn Bhd

# Shareholding Statistic

As At 8 May 2008

## 4. THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

	Name of Shareholders	No. of Shares Hold	%
1.	INTISARI DELIMA SDN BHD	18,634,888	24.76
2.	LEMBAGA TABUNG HAJI	13,505,945	17.95
3.	LIM TAU LIH	5,374,045	7.14
4.	SAI SEAK CHYUAN	2,133,000	2.83
5.	KEVIN GAN KONG CHEE	1,872,900	2.49
6.	LAU CHEE WEN	1,857,500	2.47
7.	GRANDEUR LAND SDN BHD	1,000,000	1.33
8.	YANG, WEI -CHEN	990,489	1.32
9.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON MENG HENG (MARGIN)	710,100	0.94
10.	SAI SEAK CHYUAN	643,000	0.85
11.	HOE YEN CHING	550,000	0.73
12.	CHIANG WEN CHOU	535,000	0.71
13.	PILIHAN SISTEMATIK SDN BHD	459,324	0.61
14.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ON BOON KAI	458,900	0.61
15.	TAN CHIN HWEE	435,586	0.58
16.	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TSAI HSIN-TIEN (CST)	431,400	0.57
17.	GOH CHOON HONG	330,000	0.44
18.	TAN KIM CHAI	300,000	0.40
19.	KHOO KIM KAI	250,000	0.33
20.	CHIN LIAN FOON	206,000	0.27
21.	OOI LENG HWA	200,000	0.27
22.	LEE SIEW LENG	200,000	0.27
23.	HUANG, CHIEN-YI	200,000	0.27
24.	LIM KAH ENG	200,000	0.27
25.	TEH CHENG HO	180,000	0.24
26.	JOLLY WOOD SDN. BHD.	180,000	0.24
27.	ANG SIEW YING	173,256	0.23
28.	LEE CHUN HUA @ LEE SOON HWA	170,500	0.23
29.	MAH CHET HONG	166,000	0.22
30.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOO KAI SENG	164,400	0.22
	<b>Total</b>	<b>52,512,233</b>	<b>69.79</b>

# Form Of Proxy

CDS ACCOUNT NO.

NUMBER OF SHARES  
HELD

\*I / We \_\_\_\_\_ NRIC No./Company No. \_\_\_\_\_

of (full address) \_\_\_\_\_

being a Member/Members of ORNAPAPER BERHAD, hereby appoint \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

or failing him/her, \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ or failing him/her, the CHAIRMAN OF THE MEETING as \*my/our proxy to vote for \*me/us and on \*my/our behalf at the Sixth Annual General Meeting of the Company to be held at No. 8998, Kawasan Perindustrian Peringkat 4, Batu Berendam, 75350 Melaka on Thursday, 26 June 2008 at 10.30 am and at any adjournment thereof for / against the resolution(s) to be proposed thereat confirm.

No.	Resolutions	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Reports of the Directors and the Auditors thereon.		
2.	To approve the declaration of a First and Final Tax Exempt Dividend of 1% for the financial year ended 31 December 2007.		
3.	To approve the payment of Directors' Fees for the financial year ended 31 December 2007.		
4.	To re-elect Mr. Siow Kee Yen who retires pursuant to Article 92 of the Company's Articles of Association.		
5.	To re-elect Puan Adillah binti Ahmad Nordin who retires pursuant to Article 92 of the Company's Articles of Association.		
6.	To re-appoint Messrs Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
7.	Special Business <u>Ordinary Resolution</u> - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
8.	Special Business <u>Ordinary Resolution</u> - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

\* Strike out whichever not applicable.

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

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2008.

\_\_\_\_\_  
Signature of Member/Common Seal

- 
- Notes
1. A member entitled to attend and vote at this Meeting is entitled to appoint more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company. Shareholders' attention is hereby drawn to the Listing Requirements of Bursa Malaysia Securities Berhad which came into force on 1 June 2001 which allows a member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991 to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
  2. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he or she specifies the proportion of his or her holdings to be represented by each proxy.
  3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
  4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 1A, 6<sup>th</sup> Floor, Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra, Batu Berendam, 75350 Melaka not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

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Affix  
Stamp  
Here

The Company Secretary  
ORNAPAPER BERHAD (573695-W)  
Lot 1A, 6<sup>th</sup> Floor, Menara Pertam,  
Jalan BBP 2, Taman Batu Berendam Putra,  
Batu Berendam, 75350 Melaka  
MALAYSIA

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**ORNAPAPER BERHAD** (573695-W)

No. 8998, Kawasan Perindustrian  
Batu Berendam Peringkat IV,  
75350 Melaka, Malaysia.

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