

Company No. : 573695 W

ORNAPAPER BERHAD
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2003

Company No. : 573695 W

ORNAPAPER BERHAD (Incorporated in Malaysia)

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ORNAPAPER BERHAD (Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM	Company RM
Net profit for the year	<u>8,065,306</u>	<u>3,262,470</u>

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

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

DIRECTORS

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

Datuk Dr. Ting Chung Cheng
Tuan Haji Azhar bin Nayan
See Wan Seng
Siow Kee Yen
Adillah binti Ahmad Nordin
Ang Kwee Teng
Sai Chin Hock

(appointed on 23.6.2003)

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DIRECTORS' REPORT

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 period, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 5 to the financial statements) 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.

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 January 2003	Bought	Sold	31 December 2003
Direct				
Datuk Dr. Ting Chung Cheng	9,329,241	-	960,592	8,368,649
Tuan Haji Azhar bin Nayan	-	25,000	-	25,000
Siow Kee Yen	-	15,000	10,000	5,000
Adillah binti Ahmad Nordin	-	20,000	16,000	4,000
Indirect				
Ang Kwee Teng	20,773,886	-	2,138,998	18,634,888
See Wan Seng	20,773,886	-	2,138,998	18,634,888
Sai Chin Hock	-	19,094,212	-	19,094,212

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

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

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**ORNAPAPER BERHAD (Incorporated in Malaysia)
DIRECTORS' REPORT**

SHARE CAPITAL

During the financial year, the Company increased its issued and fully paid up share capital from RM54,000,000 to RM62,000,000 by way of a public issue of 8,000,000 new ordinary shares of RM1 each at an issue price of RM1.60 per share. The new ordinary shares rank pari passu in all respects with existing ordinary shares.

The proceeds from the public issue was to be utilised for working capital purposes, repayment of hire purchase facilities and to defray share issue expenses.

The enlarged issued and fully paid up share capital of 62,000,000 ordinary shares of RM1 each was listed and quoted on the Main Board of the Malaysia Securities Exchange Berhad on 29 January 2003.

OTHER STATUTORY INFORMATION

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

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

- (i) require any amount to be written off as bad debts or render the amount provided for as doubtful debts inadequate to any substantial extent; and
- (ii) render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:-
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:-
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

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**ORNAPAPER BERHAD (Incorporated in Malaysia)
DIRECTORS' REPORT**

AUDITORS

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

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

DATUK DR. TING CHUNG CHENG

SEE WAN SENG

Melaka, Malaysia
Date: 8 March 2004

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ORNAPAPER BERHAD (Incorporated in Malaysia)

STATEMENT BY DIRECTORS

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

We, DATUK DR. TING CHUNG CHENG and SEE WAN SENG, being two of the directors of ORNAPAPER BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 35 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

DATUK DR. TING CHUNG CHENG

SEE WAN SENG

Melaka, Malaysia
Date: 8 March 2004

STATUTORY DECLARATION

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

I, DATUK DR. TING CHUNG CHENG, being the director primarily responsible for the financial management of ORNAPAPER BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 35 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed DATUK DR. TING)
CHUNG CHENG at Melaka in the State)
of Melaka on 8 March 2004)

DATUK DR. TING CHUNG CHENG

Before me,

A. SUPRAMANIAM PIS

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

We have audited the accompanying financial statements set out on pages 9 to 35. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Approved Accounting Standards in Malaysia so as to give a true and fair view of :
 - (i) the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

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

Ernst & Young
AF: 0039
Chartered Accountants

Lee Ah Too
No. 2187/09/05(J)
Partner

Melaka, Malaysia
Date: 8 March 2004

ORNAPAPER BERHAD (Incorporated in Malaysia)**INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Group		Company	
		1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM
Revenue	3	122,828,847	8,732,002	3,559,050	126,135
Cost of sales		(98,362,898)	(6,381,436)	-	-
Gross profit		24,465,949	2,350,566	3,559,050	126,135
Other operating income		204,406	-	-	-
Administrative expenses		(3,828,227)	(229,830)	(193,250)	-
Selling and marketing expenses		(6,400,979)	(507,492)	(12,868)	-
Other operating expenses		(3,212,335)	(362,072)	(90,462)	(59,436)
Profit from operations	4	11,228,814	1,251,172	3,262,470	66,699
Finance cost, net	6	(1,634,308)	(203,876)	-	(6,323)
Profit before taxation		9,594,506	1,047,296	3,262,470	60,376
Taxation	7	(1,529,200)	(262,200)	-	(17,885)
Net profit for the year/period		8,065,306	785,096	3,262,470	42,491
Earnings per share (sen)	8	13	17		

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

ORNAPAPER BERHAD (Incorporated in Malaysia)**BALANCE SHEETS
AS AT 31 DECEMBER 2003**

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
NON-CURRENT ASSETS					
Property, plant and equipment	9	71,104,607	66,512,743	-	-
Investment in subsidiaries	10	-	-	55,783,495	55,783,495
Other investments	11	269,400	269,400	-	-
		<u>71,374,007</u>	<u>66,782,143</u>	<u>55,783,495</u>	<u>55,783,495</u>
CURRENT ASSETS					
Inventories	12	14,755,375	12,863,480	-	-
Trade receivables	13	44,066,652	33,472,398	-	-
Other receivables	14	4,181,742	1,204,832	14,721,725	3,333
Tax recoverable		118,579	13,114	13,933	497,576
Cash and bank balances	15	6,456,544	4,764,119	29,938	184,798
		<u>69,578,892</u>	<u>52,317,943</u>	<u>14,765,596</u>	<u>685,707</u>
CURRENT LIABILITIES					
Short term borrowings	16	39,072,962	38,490,229	-	-
Trade payables	18	9,249,063	5,293,889	-	-
Other payables	19	2,224,353	3,049,619	51,000	1,117,366
		<u>50,546,378</u>	<u>46,833,737</u>	<u>51,000</u>	<u>1,117,366</u>
NET CURRENT ASSETS/(LIABILITIES)					
		<u>19,032,514</u>	<u>5,484,206</u>	<u>14,714,596</u>	<u>(431,659)</u>
		<u>90,406,521</u>	<u>72,266,349</u>	<u>70,498,091</u>	<u>55,351,836</u>
FINANCED BY :					
Share capital	20	62,000,000	54,000,000	62,000,000	54,000,000
Reserves	21	14,043,532	2,094,441	8,498,091	1,351,836
Shareholders' equity		<u>76,043,532</u>	<u>56,094,441</u>	<u>70,498,091</u>	<u>55,351,836</u>
Reserve on consolidation		4,753,667	4,753,667	-	-
		<u>80,797,199</u>	<u>60,848,108</u>	<u>70,498,091</u>	<u>55,351,836</u>
Long term borrowings	16	2,356,322	4,947,241	-	-
Deferred taxation	22	7,253,000	6,471,000	-	-
Non-current liabilities		<u>9,609,322</u>	<u>11,418,241</u>	<u>-</u>	<u>-</u>
		<u>90,406,521</u>	<u>72,266,349</u>	<u>70,498,091</u>	<u>55,351,836</u>

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

ORNAPAPER BERHAD (Incorporated in Malaysia)**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003**

Group	Share capital RM	Non- distributable Share premium RM	Distributable Retained profits RM	Total RM
2002				
At date of incorporation	2	-	-	2
Issue of ordinary shares				
Allotment of shares	499,998	-	-	499,998
Acquisition of subsidiaries	52,649,204	2,632,460	-	55,281,664
Rights issue	850,796	-	-	850,796
Shares issue expenses	-	(1,323,115)	-	(1,323,115)
Net profit for the period	-	-	785,096	785,096
At 31 December 2002	<u>54,000,000</u>	<u>1,309,345</u>	<u>785,096</u>	<u>56,094,441</u>
2003				
At 1 January 2003				
Originally reported	54,000,000	1,309,345	909,296	56,218,641
Prior year adjustment (Note 23)	-	-	(124,200)	(124,200)
Restated	<u>54,000,000</u>	<u>1,309,345</u>	<u>785,096</u>	<u>56,094,441</u>
Issue of share capital	8,000,000	4,800,000	-	12,800,000
Share issue expense	-	(916,215)	-	(916,215)
Net profit for the year	-	-	8,065,306	8,065,306
At 31 December 2003	<u>62,000,000</u>	<u>5,193,130</u>	<u>8,850,402</u>	<u>76,043,532</u>
Company				
At date of incorporation	2	-	-	2
Issue of ordinary shares:				
Allotment of shares	499,998	-	-	499,998
Acquisition of subsidiaries	52,649,204	2,632,460	-	55,281,664
Rights issue	850,796	-	-	850,796
Shares issue expenses	-	(1,323,115)	-	(1,323,115)
Net profit for the period	-	-	42,491	42,491
At 31 December 2002	<u>54,000,000</u>	<u>1,309,345</u>	<u>42,491</u>	<u>55,351,836</u>
Issue of share capital	8,000,000	4,800,000	-	12,800,000
Shares issue expenses	-	(916,215)	-	(916,215)
Net profit for the year	-	-	3,262,470	3,262,470
At 31 December 2003	<u>62,000,000</u>	<u>5,193,130</u>	<u>3,304,961</u>	<u>70,498,091</u>

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

ORNAPAPER BERHAD (Incorporated in Malaysia)

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Group		Company	
	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	9,594,506	1,047,296	3,262,470	60,376
Adjustments for :				
Depreciation	3,903,332	320,071	-	-
Gain on disposal of property, plant and equipment	(5,433)	-	-	-
Provision for doubtful debts	363,271	22,209	-	-
Gross dividend	-	-	-	(113,635)
Interest expense	1,847,605	229,694	-	6,323
Interest income	(213,297)	(25,818)	-	-
Operating profit/(loss) before working capital changes	15,489,984	1,593,452	3,262,470	(46,936)
Increase in receivables	(13,934,435)	(761,239)	(14,234,749)	(3,333)
Increase in inventories	(1,891,895)	(374,264)	-	-
Increase/(decrease) in payables	3,129,908	(1,863,447)	(1,066,366)	1,117,366
Cash generated from/ (used in) operations	2,793,562	(1,405,498)	(12,038,645)	1,067,097
Interest paid	(1,847,605)	(229,694)	-	(6,323)
Interest received	213,297	25,818	-	-
Taxation paid	(852,665)	(65,592)	-	-
Net cash from/(used in) operating activities	306,589	(1,674,966)	(12,038,645)	1,060,774

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CASH FLOW STATEMENTS

	Group		Company	
	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from issuance of shares	12,800,000	1,350,796	12,800,000	1,350,796
Shares issue expenses	(916,215)	(1,323,115)	(916,215)	(1,806,758)
Net inflow/(outflow) from acquisition of subsidiaries	-	4,834,605	-	(501,831)
Net dividends received	-	-	-	81,817
Proceeds from disposal of property, plant and equipment	6,500	-	-	-
Purchase of property, plant and equipment	(4,769,263)	(3,976,877)	-	-
Net cash from/(used in) investing activities	7,121,022	885,409	11,883,785	(875,976)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of term loan	(342,333)	(116,371)	-	-
Repayment of hire purchase	(8,004,388)	(177,933)	-	-
Short term borrowings	6,499,269	1,960,246	-	-
Net cash (used in)/from financing activities	(1,847,452)	1,665,942	-	-
CASH AND CASH EQUIVALENTS				
Increase/(decrease) during the year/period	5,580,159	876,385	(154,860)	184,798
At beginning of the year/period	876,385	-	184,798	-
At end of the year/period (Note 15)	6,456,544	876,385	29,938	184,798

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

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ORNAPAPER BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2003

1. CORPORATE INFORMATION

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and was listed on the Main Board of the Malaysia Securities Exchange Berhad on 29 January 2003. The principal place of business is situated at No. 8998, Kawasan Perindustrian Peringkat IV, Batu Berendam, 75350 Melaka.

The number of employees in the Group at the end of the financial year/period was 450 (2002: 387). There was one employee in the Company at the end of the financial year/period. The accounting records of the Company are maintained by the employees of a subsidiary.

The current year's financial statements cover a 12 months period from 1 January 2003 to 31 December 2003. The previous period's financial statements cover the period from 12 March 2002, the date of incorporation, to 31 December 2002. Hence, the comparative figures as reported in the income statements, statements of changes in equity, cash flow statements and related notes are not comparable.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 March 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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ORNAPAPER BERHAD (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

During the financial year ended 31 December 2003, the Group and the Company adopted the following MASB Standards for the first time:

MASB 25 Income Taxes
MASB 26 Interim Financial Reporting
MASB 27 Borrowing Costs
MASB 28 Discontinuing Operations
MASB 29 Employee Benefits

The adoption of the above new standards has not given rise to any adjustments to the opening balances of retained profits of the prior and current years or to changes in comparatives except for those disclosed in Note 23.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

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

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

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets.

(c) Reserve on Consolidation

Reserve on consolidation represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary over the cost of acquisition at the date of acquisition. Reserve on consolidation arising on the acquisition of subsidiaries is presented separately in the balance sheet. Reserve on consolidation is not amortised.

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ORNAPAPER BERHAD (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

(d) Investment in Subsidiaries

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

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to the income statement.

(e) Property, Plant and Equipment and Depreciation

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

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

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

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

(f) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of finished goods includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(g) Foreign Currency Transactions

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

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NOTES TO THE FINANCIAL STATEMENTS

The principal exchange rate for every unit of foreign currency ruling at balance sheet date used is as below :

	2003	2002
	RM	RM
United States Dollar	3.80	3.80
Euro	4.50	3.60

(h) 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.

(i) Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

Prior to the adoption of MASB 25 Income Taxes on 1 January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. The new policy has been applied retrospectively and certain comparatives have been restated accordingly as disclosed in Note 23.

(j) Revenue Recognition

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

ORNAPAPER BERHAD (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

(i) Sale of goods

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

(ii) Dividend income

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

(k) Hire Purchase and Finance Lease

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

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

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

(l) Impairment of Assets

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

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

ORNAPAPER BERHAD (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

(m) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contributions plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(n) 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 charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(1).

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

ORNAPAPER BERHAD (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

(ii) Marketable Securities

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

(iii) Trade Receivables

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

(iv) Trade Payables

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

(v) Interest-Bearing Borrowings

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

(vi) Equity Instruments

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

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

ORNAPAPER BERHAD (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

3. REVENUE

	Group		Company	
	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM
Sales of goods	122,828,847	8,732,002	-	-
Dividend income from subsidiary	-	-	3,409,050	113,635
Management fee from subsidiary	-	-	150,000	12,500
	<u>122,828,847</u>	<u>8,732,002</u>	<u>3,559,050</u>	<u>126,135</u>

4. PROFIT FROM OPERATIONS

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

	Group		Company	
	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM
Auditors' remuneration				
- Special audit	-	1,000	-	1,000
- current year	61,000	30,750	20,000	20,000
- overprovision in prior year	7,750	-	-	-
Doubtful debts	363,271	22,209	-	-
Depreciation	3,903,332	320,071	-	-
Directors' remuneration (Note 5)	980,324	85,960	154,600	15,000
Gain on disposal of property, plant and equipment	(5,433)	-	-	-
Rental expense	214,318	24,400	-	-
Staff costs				
- Salaries and wages	6,903,544	520,209	-	-
- Defined contribution plan	600,559	43,708	-	-
- Other related costs	3,368,843	175,928	-	-
	<u>3,368,843</u>	<u>175,928</u>	<u>-</u>	<u>-</u>

ORNAPAPER BERHAD (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

5. DIRECTORS' REMUNERATION

	Group		Company	
	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	557,150	26,874	38,500	-
Defined contribution plan	65,784	3,228	3,600	-
Fees	105,000	15,000	45,000	-
Benefits-in-kind	38,062	4,150	-	-
Non-Executive:				
Fees	90,000	20,000	60,000	15,000
Other emoluments	7,500	-	7,500	-
	<u>863,496</u>	<u>69,252</u>	<u>154,600</u>	<u>15,000</u>
Other Directors				
Executive:				
Salaries and other emoluments	69,050	5,234	-	-
Defined contribution plan	8,340	624	-	-
Fees	77,500	15,000	-	-
	<u>154,890</u>	<u>20,858</u>	<u>-</u>	<u>-</u>
Analysis excluding benefits-in-kind				
Total executive directors' remuneration	882,824	65,960	87,100	-
Total non-executive directors' remuneration	<u>97,500</u>	<u>20,000</u>	<u>67,500</u>	<u>15,000</u>
Total directors' remuneration (Note 4)	<u>980,324</u>	<u>85,960</u>	<u>154,600</u>	<u>15,000</u>

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The number of directors of the Company whose total remuneration during the year/period fell within the following bands is analysed below:

	Group		Number of Directors Company	
	2003	2002	2003	2002
Executive directors:				
Below RM50,000	3	6	4	-
RM50,001 - RM100,000	1	-	-	-
RM100,001 - RM150,000	1	-	-	-
RM150,001 - RM200,000	1	-	-	-
RM200,001 - RM250,000	-	-	-	-
RM250,001 - RM300,000	-	-	-	-
RM300,001 - RM350,000	-	-	-	-
RM400,001 - RM450,000	-	-	-	-
RM450,001 - RM500,000	1	-	-	-
Non-executive directors:				
Below RM50,000	3	3	3	2

6. FINANCE COST, NET

	Group		Company	
	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM
Interest expense	1,847,605	229,694	-	6,323
Interest income	(213,297)	(25,818)	-	-
	<u>1,634,308</u>	<u>203,876</u>	<u>-</u>	<u>6,323</u>

7. TAXATION

	Group		Company	
	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM	1.1.2003 to 31.12.2003 RM	12.3.2002 to 31.12.2002 RM
Tax expense for the year:				
Malaysian income tax	747,200	138,000	-	17,885
Deferred tax:				
Relating to origination of temporary differences (Note 22)	782,000	124,200	-	-
	<u>1,529,200</u>	<u>262,200</u>	<u>-</u>	<u>17,885</u>

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Tax is calculated at the Malaysian statutory tax rate of 28% (2002: 28%) of the estimated assessable profit for the year. A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Profit before taxation	<u>9,594,506</u>	<u>1,047,296</u>	<u>3,262,470</u>	<u>60,376</u>
Taxation at 28% (2002: 28%)	2,686,510	293,200	913,490	16,905
Expenses not deductible tax purposes	276,890	12,400	34,010	980
Utilisation of previously unrecognised reinvestment allowances	(755,090)	(43,400)	-	-
Utilisation of current year's reinvestment allowances	(686,140)	-	-	-
Income not subject to tax	-	-	(954,530)	-
Deferred tax asset on losses not recognisd	7,030	-	7,030	-
Tax expense for the year	<u>1,529,200</u>	<u>262,200</u>	<u>-</u>	<u>17,885</u>

8. EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the net profit for the year of RM8,065,306 (2002: RM785,096) by the weighted average number of 61,333,333 (2002: 4,645,615) ordinary shares in issue during the financial year/period.

The basic earnings per share for the previous financial period was originally reported as 20 sen which was calculated by dividing the net profit of RM909,296 (before prior year adjustment) by the weighted average number of ordinary shares of 4,645,615 in issue during the financial period.

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NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

	Long term leasehold land RM	Factory buildings RM	Plant, machinery, factory equipment and electrical installation RM	Other assets RM	Total RM
Group					
Cost					
At 1 January 2003	9,100,898	15,154,840	55,518,713	6,838,573	86,613,024
Additions	786,337	-	3,808,843	3,901,083	8,496,263
Disposal	-	-	(2,000)	-	(2,000)
At 31 December 2003	<u>9,887,235</u>	<u>15,154,840</u>	<u>59,325,556</u>	<u>10,739,656</u>	<u>95,107,287</u>
Accumulated Depreciation					
At 1 January 2003	486,130	1,704,418	14,618,819	3,290,914	20,100,281
Charge for the year	92,256	292,591	3,019,705	498,780	3,903,332
Disposal	-	-	(933)	-	(933)
At 31 December 2003	<u>578,386</u>	<u>1,997,009</u>	<u>17,637,591</u>	<u>3,789,694</u>	<u>24,002,680</u>
Net Book Value					
At 31 December 2003	<u>9,308,849</u>	<u>13,157,831</u>	<u>41,687,965</u>	<u>6,949,962</u>	<u>71,104,607</u>
At 31 December 2002	<u>8,614,768</u>	<u>13,450,422</u>	<u>40,899,894</u>	<u>1,381,134</u>	<u>66,512,743</u>
Depreciation charge for 2002	<u>6,198</u>	<u>24,382</u>	<u>248,761</u>	<u>40,730</u>	<u>320,071</u>

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- (a) Other assets comprise motor vehicles, office equipment, furniture, fittings and office renovation and capital work in progress. The cost of work in progress at the end of the financial year was RM5,788,333 (2002 : RM2,166,525).
- (b) The property, plant and equipment are pledged to financial institutions for bank borrowings as referred to Note 16.
- (c) The cost of property, plant and equipment purchased during the financial year of RM8,496,263 (2002 : RM5,934,664) includes an amount of RM3,727,000 (2002 : RM Nil) which was financed under hire purchase arrangements.
- (c) Net book value of property, plant and equipment held under hire purchase agreements are as follow:

	Group	
	2003	2002
	RM	RM
Plant and machinery	12,923,174	10,059,755
Motor vehicles	368,228	462,426
Factory equipment	136,587	160,388
	<u>13,427,989</u>	<u>10,682,569</u>

- (d) Included in property, plant and equipment are fully depreciated assets which are still in use costing RM3,057,731 (2002: RM2,705,888).

10. INVESTMENT IN SUBSIDIARIES

	Company	
	2003	2002
	RM	RM
Unquoted shares at cost	<u>55,783,495</u>	<u>55,783,495</u>

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ORNAPAPER BERHAD (Incorporated in Malaysia)
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Details of the subsidiaries are as follows :

Name of Subsidiaries	Country of Incorporation	Equity Interest Held		Principal Activities
		2003	2002	
Ornapaper Industry (M) Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of corrugated board and carton boxes
Ornapaper Industry (Batu Pahat) Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of carton boxes

11. OTHER INVESTMENTS

	Group	
	2003 RM	2002 RM
At cost :		
Quoted shares	19,400	19,400
Unquoted shares	225,000	225,000
Club membership	25,000	25,000
	<u>269,400</u>	<u>269,400</u>
Market value of quoted shares	<u>23,360</u>	<u>17,120</u>

12. INVENTORIES

	Group	
	2003 RM	2002 RM
At cost :		
Raw materials	13,982,067	12,356,283
Finished goods	773,308	507,197
	<u>14,755,375</u>	<u>12,863,480</u>

ORNAPAPER BERHAD (Incorporated in Malaysia)
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13. TRADE RECEIVABLES

	Group	
	2003	2002
	RM	RM
Trade receivables	46,330,403	35,372,878
Less : Provision for doubtful debts	(2,263,751)	(1,900,480)
	<u>44,066,652</u>	<u>33,472,398</u>

The Group's normal credit term ranges from 30 to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or groups of debtors except for an amount due from a single debtor which represents 30% of the total debtors. Sales to the said debtor contributed approximately 17% of the Group's revenue during the year.

14. OTHER RECEIVABLES

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Deposits and prepayments	668,981	903,086	65,682	2,500
Other receivables	3,512,761	301,746	-	-
Due from subsidiaries	-	-	14,656,043	833
	<u>4,181,742</u>	<u>1,204,832</u>	<u>14,721,725</u>	<u>3,333</u>

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or groups of debtors except for an amount of RM3,345,320 (2002: RMNil) incurred for the intention of an investment in Vietnam. The Company will ultimately hold 55% of the enterprise which amounts to an equivalent of RM16.7 million to be invested. The balance of the amount of RM13.4 million has been disclosed as capital commitment in Note 24.

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

ORNAPAPER BERHAD (Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Cash on hand and at banks	6,431,410	4,738,985	29,938	184,798
Deposit with a licensed bank	25,134	25,134	-	-
Cash and bank balances	<u>6,456,544</u>	<u>4,764,119</u>	<u>29,938</u>	<u>184,798</u>
Less: Bank overdraft (Note 16)	-	(3,887,734)	-	-
Cash and cash equivalents	<u>6,456,544</u>	<u>876,385</u>	<u>29,938</u>	<u>184,798</u>

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

The weighted average interest rate during the financial year/period and the average maturity of deposit as at the end of the financial year/period were as follows :

	Weighted Average Interest Rate		Average Maturity Days	
	2003	2002	2003	2002
Deposit with licensed bank	<u>4%</u>	<u>4%</u>	<u>365</u>	<u>365</u>

16. BORROWINGS

	Group	
	2003	2002
	RM	RM
Short Term Borrowings		
Secured :		
Bank overdrafts (Note 15)	-	3,887,734
Bankers' acceptances	38,361,605	31,862,336
Term loan	-	342,333
Hire purchase payables (Note 17)	<u>711,357</u>	<u>2,397,826</u>
	<u>39,072,962</u>	<u>38,490,229</u>
Long Term Borrowings		
Secured :		
Hire purchase payables (Note 17)	<u>2,356,322</u>	<u>4,947,241</u>
	<u>2,356,322</u>	<u>4,947,241</u>

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	Group	
	2003	2002
	RM	RM
Total Borrowings		
Bank overdrafts	-	3,887,734
Bankers' acceptances	38,361,605	31,862,336
Term loan	-	342,333
Hire purchase payables (Note 17)	3,067,679	7,345,067
	<u>41,429,284</u>	<u>43,437,470</u>
 Maturity of borrowings (excluding hire purchase)		
Within one year	<u>38,361,605</u>	<u>36,092,403</u>

The weighted average interest effective rates during the financial year/period for borrowings, excluding hire purchase payables, were as follows:

	Group	
	2003	2002
	%	%
Bank overdrafts	7.00	7.90
Bankers' acceptances	3.56	3.40
Term loan	-	7.75

The borrowings are secured by certain assets of the Group as disclosed in Note 9.

17. HIRE PURCHASE PAYABLES

	Group	
	2003	2002
	RM	RM
Minimum hire purchase payments :		
Not later than 1 year	985,470	3,167,390
Later than 1 year and not later than 2 years	819,048	2,962,570
Later than 2 years and not later than 5 years	1,948,301	2,564,832
	<u>3,752,819</u>	<u>8,694,792</u>
Less : Future finance charges	(685,140)	(1,349,725)
	<u>3,067,679</u>	<u>7,345,067</u>
 Present value of hire purchase liabilities :		
Not later than 1 year	711,357	2,397,826
Later than 1 year and not later than 2 years	549,614	2,520,026
Later than 2 years and not later than 5 years	1,806,708	2,427,215
	<u>3,067,679</u>	<u>7,345,067</u>

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	Group	
	2003	2002
	RM	RM
Analysed as :		
Due within 12 months (Note 16)	711,357	2,397,826
Due after 12 months (Note 16)	2,356,322	4,947,241
	<u>3,067,679</u>	<u>7,345,067</u>

The hire purchase liabilities bore interest during the period of between 4.75% to 13.20% (2002 : 4.75% to 13.20%) per annum.

18. TRADE PAYABLES

The credit terms granted to the Company range from 30 to 90 days.

19. OTHER PAYABLES

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Due to a subsidiary	-	-	-	1,063,734
Other payables and accruals	2,224,353	3,049,619	51,000	53,632
	<u>2,224,353</u>	<u>3,049,619</u>	<u>51,000</u>	<u>1,117,366</u>

The amount due to a subsidiary was unsecured, bore interest of 1.2% per annum and had no fixed terms of repayment.

20. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2003	2002	2003	2002
			RM	RM
Authorised :				
At beginning of year/period	100,000,000	100,000	100,000,000	100,000
Created during the period	-	99,900,000	-	99,900,000
At end of year/period	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

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	Number of Ordinary Shares of RM1 Each		Amount	
	2003	2002	2003 RM	2002 RM
Issued and fully paid :				
At beginning of year/period	54,000,000	2	54,000,000	2
Issue of share capital	8,000,000	53,999,998	8,000,000	53,999,998
At end of year/period	<u>62,000,000</u>	<u>54,000,000</u>	<u>62,000,000</u>	<u>54,000,000</u>

The new ordinary shares rank pari passu in all respects with the existing ordinary shares. The enlarged share capital of 62,000,000 ordinary shares was listed and quoted on the Main Board of the Malaysia Securities Exchange Berhad on 29 January 2003.

21. RESERVES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Share premium	5,193,130	1,309,345	5,193,130	1,309,345
Retained profits	8,850,402	785,096	3,304,961	42,491
	<u>14,043,532</u>	<u>2,094,441</u>	<u>8,498,091</u>	<u>1,351,836</u>

Share premium arose from the issue of shares at a premium in the previous period and in the current year, net of share issue expenses.

Subject to agreement with the Inland Revenue Board, the Company has tax exempt profits of RM3,409,000 which is sufficient to frank the payment of dividends out of the entire retained profits of the Company as at 31 December 2003.

22. DEFERRED TAXATION

	Group	
	2003 RM	2002 RM
At beginning of year/period	6,471,000	-
Upon acquisition of subsidiaries	-	6,346,800
Originating during the year/period	782,000	124,200
At end of year/period	<u>7,253,000</u>	<u>6,471,000</u>

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

Group	Accelerated capital allowances RM	Trade receivables RM	Net RM
Upon acquisition of subsidiaries	6,549,700	(202,900)	6,346,800
Recognised in income statement	124,200	-	124,200
At 31 December 2002	6,673,900	(202,900)	6,471,000
Recognised in income statement	866,100	(84,100)	782,000
At 31 December 2003	7,540,000	(287,000)	7,253,000

23. CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

During the financial year, the Company applied 5 new MASB Standards, which became effective from 1 January 2003, and modified certain accounting policies. The change in accounting policy which resulted in prior year adjustments is discussed as below:

(a) Changes in Accounting Policy - MASB 25

Under MASB 25, 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 profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Certain differences for which deferred tax asset was previously recognised are not considered to be unused tax credits under MASB 25 and a prior year adjustment has been made to reverse the said deferred tax asset.

(b) Prior Year Adjustments

The change in accounting policy above has been applied retrospectively and comparatives have been restated as follows:

Group	Previously stated RM	Adjustment RM	Restated RM
Deferred tax liability	777,000	5,694,000	6,471,000
Reserve on consolidation	10,323,467	(5,569,800)	4,753,667
Retained profits at end of the period	909,296	(124,200)	785,096
Net profit for the period	909,296	(124,200)	785,096
Tax expense for the period	138,000	124,200	262,200

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24. COMMITMENT

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Capital expenditure not provided for :				
Proposed investment in Vietnam (Note 14)	13,400,000	-	16,000,000	-
Acquisition of property, plant and equipment	1,044,000	-	-	-

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group	
	2003	2002
	RM	RM
<u>Perfect Food Manufacturing (M) Sdn Bhd</u>		
Sales of corrugated carton	845,278	-

The above company is a company in which Sai Chin Hock, a director appointed during the year, has interest.

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

26. 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 that are approved by the Board and the Group's policy is to not 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 2003.

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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

Foreign currency denominated liabilities together with expected cash flows to highly probable purchases give rise to foreign exchange exposures. The Group is not significantly exposed to foreign exchange exposures which are kept to an acceptable level.

(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 13 and 14.

(f) Fair Values

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