



ORNAPAPER

ORNAPAPER BERHAD (573695-W)

Annual Report 2002



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Notice Of The First Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the First Annual General Meeting of ORNAPAPER BERHAD will be held at Bunga Raya Ballroom 1, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100, Melaka on Monday, 23 June 2003 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial period from the date of incorporation, 12 March 2002 to 31 December 2002 together with the Directors' Report and Auditors' Report thereon. (Resolution 1)
2. To approve the payment of Directors' fee for the financial period from the date of incorporation, 12 March 2002 to 31 December 2002. (Resolution 2)
3. To re-elect the following Directors who shall retire in accordance with Article 92 of the Company's Articles of Association and who being eligible, offered themselves for re-election:-
 - (a) Datuk Dr. Ting Chung Cheng; (Resolution 3)
 - (b) Tuan Haji Azhar bin Nayan; (Resolution 4)
 - (c) Mr. See Wan Seng; (Resolution 5)
 - (d) Mr. Siow Kee Yen; (Resolution 6)
 - (e) Puan Adillah binti Ahmad Nordin; and (Resolution 7)
 - (f) Mr. Ang Kwee Teng. (Resolution 8)
4. 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 9)
5. **As Special Business:-**

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

Ordinary Resolution

- Authority to directors to allot and issue shares

"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965 to issue and allot shares in the Company at any time until the conclusion of the next Annual General Meeting 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 to be issued does not exceed ten (10) per centum of the issued share capital of the Company for the time being."

(Resolution 10)

Notice Of The First Annual General Meeting

Special Resolution **- Proposed Amendment to the Articles of Association**

"THAT the Articles of Association of the Company be amended by deleting the existing Article 164 in its entirety and to adopt the following new Article 164:-

Existing Article 164

Subject to the provisions of any written law, a notice may be given by the Company to any Member either by serving it on him personally or by sending it by post to him at his address as shown in the Register or the Record of Depositors or the address (if any) in Malaysia supplied by him to the Company for the giving of notices to him. In the case of overseas Securities holders, any notice or other documents shall be forwarded by airmail or any speedier form of transmission.

New Article 164

"Subject to the provisions of any written law, a notice may be given by the Company to any Member either by serving it on him personally or by sending it by post to him at his address as shown in the Register of Members or the Record of Depositors or the address (if any) in Malaysia supplied by him to the Company for the giving of notices to him."

(Resolution 11)

6. To consider any other business for which due notice shall have been given.

By Order of the Board
CHUA SIEW CHUAN (MAICSA 0777689)
SEAN NETEO (LS 008058)
Company Secretaries

Melaka
30 May 2003

Explanatory Note to Special Business:-

1. The proposed adoption of the Ordinary Resolution is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting.
2. The proposed adoption of the Special Resolution is primarily to reduce cost as well as to improve the efficiency of the Company.

Notes:-

1. A member entitled to attend and to vote at this Meeting is entitled to appoint more than two (2) proxies to attend and to 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.
2. If the appointer is a corporation, the form of proxy must be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
3. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, must be deposited at the Registered Office of the Company at Graha Maju (Bangunan PKNM), Tingkat 10-Lot 6, Jalan Graha Maju, 75300 Melaka not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

Statements Accompanying Notice Of Annual General Meeting

*[Pursuant to paragraph 8.28(2) of the
Kuala Lumpur Stock Exchange Listing Requirements]*

Statement accompanying the Notice of Annual General Meeting

The Directors standing for re-election at the First Annual General Meeting of the Company to be held at Bunga Raya Ballroom 1, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100, Melaka on Monday, 23 June 2003 at 10.30 a.m. are as follows:-

Name of Directors	Details of Attendance at Board Meeting	Details of Individual Directors and other Disclosure Requirements
Datuk Dr. Ting Chung Cheng (Article 92 of the Company's Articles of Association)	Refer to Page 5 of the Annual Report	Refer to Page 6 of the Annual Report
Tuan Haji Azhar bin Nayan (Article 92 of the Company's Articles of Association)	Refer to Page 5 of the Annual Report	Refer to Page 6 of the Annual Report
Mr. See Wan Seng (Article 92 of the Company's Articles of Association)	Refer to Page 5 of the Annual Report	Refer to Page 7 of the Annual Report
Mr. Siow Kee Yen (Article 92 of the Company's Articles of Association)	Refer to Page 5 of the Annual Report	Refer to Page 7 of the Annual Report
Puan Adillah binti Ahmad Nordin (Article 92 of the Company's Articles of Association)	Refer to Page 5 of the Annual Report	Refer to Page 8 of the Annual Report
Mr. Ang Kwee Teng (Article 92 of the Company's Articles of Association)	Refer to Page 5 of the Annual Report	Refer to Page 8 of the Annual Report

Statements Accompanying Notice Of Annual General Meeting

*[Pursuant to paragraph 8.28(2) of the
Kuala Lumpur Stock Exchange Listing Requirements]*

Name of Directors standing for re-election

The Directors standing for re-election at the forthcoming Annual General Meeting are as follows:-

- ◆ Datuk Dr. Ting Chung Cheng
- ◆ Tuan Haji Azhar bin Nayan
- ◆ Mr. See Wan Seng
- ◆ Mr. Siow Kee Yen
- ◆ Puan Adillah binti Ahmad Nordin
- ◆ Mr. Ang Kwee Teng

Details of attendance of Directors at Board Meetings

No Board Meeting was held from the date of incorporation from 12 March 2002 to 31 December 2002. The number of Board Meetings and attendance for meetings of the Board since the date of listing of the Company on 29 January 2003 are as follows:-

<u>Directors</u>	<u>Number of Board Meetings</u>	
	<u>Held</u>	<u>Attended</u>
Datuk Dr. Ting Chung Cheng	1	1
Tuan Haji Azhar bin Nayan	1	1
Mr. See Wan Seng	1	1
Mr. Siow Kee Yen	1	1
Puan Adillah binti Ahmad Nordin	1	1
Mr. Ang Kwee Teng	1	1

Date, time and place of the Annual General Meeting

Date : 23 June 2003

Time : 10.30 a.m.

Place : Bunga Raya Ballroom 1, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100, Melaka.

Statements Accompanying Notice Of Annual General Meeting

*[Pursuant to paragraph 8.28(2) of the
Kuala Lumpur Stock Exchange Listing Requirements]*

Details of Directors standing for re-election

♦ **Datuk Dr. Ting Chung Cheng**

Age	: 47
Nationality	: Taiwanese
Designation / Position in the Company	: Managing Director
Qualification	: MBA & DBA Doctorate Degree
Work experience	: Taiwan's National Electronic Corporation; Cheng Long Corporation Ltd, Taiwan; Chung Cheng Carton Co. Ltd (1981-1990); Managing Director of Ornapaper Industry (M) Sdn. Bhd. (1990 to present)
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct - 8,368,649 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	: 40
Nationality	: Malaysian
Designation / Position in the Company	: Non-Executive Director
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)
Directorship in other Public Companies	: Nil
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

Statements Accompanying Notice Of Annual General Meeting

*[Pursuant to paragraph 8.28(2) of the
Kuala Lumpur Stock Exchange Listing Requirements]*

♦ **Mr. See Wan Seng**

Age	: 55
Nationality	: Malaysian
Designation / Position in the Company	: Executive Director
Qualification	: Bachelor of Commerce
Work experience	: General Manager & Director of Carton Box Industrial (M) Sdn. Bhd. (1990 to 1996); Director of Ornapaper Industry (M) Sdn Bhd (1995 to present)
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct - nil 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

♦ **Mr. Siow Kee Yen**

Age	: 32
Nationality	: Malaysian
Designation / Position in the Company	: Independent Non-Executive Director;
Qualification	: Member of Malaysia Institute of Accountants Honours Degree in Bachelor of Accountancy
Work experience	: Audit Senior in Arthur Andersen & Co. (1996 to 1999); Audit Manager with Chin & Co. (2000 to 2001); Partner of KY Siow & Co. (2001 to present)
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct - 5,000 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

Statements Accompanying Notice Of Annual General Meeting

*[Pursuant to paragraph 8.28(2) of the
Kuala Lumpur Stock Exchange Listing Requirements]*

♦ **Puan Adillah binti Ahmad Nordin**

Age	: 34
Nationality	: Malaysian
Designation / Position in the Company	: Independent Non-Executive Director
Qualification	: LL.B (Honours)
Work experience	: English Bar & Malaysian Bar (1993 and 1994); Advocate & Solicitor with Adillah A. Nordin (present)
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct - 4,000 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	: 54
Nationality	: Malaysian
Designation / Position in the Company	: Executive Director
Qualification	: -
Work experience	: Director of Ornapaper Industry (M) Sdn Bhd (1995 to present)
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct - nil 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

Corporate Information

BOARD OF DIRECTORS

: Datuk Dr.Ting Chung Cheng
Managing Director

Mr. Ang Kwee Teng
Executive Director

Mr. See Wan Seng
Executive Director

Tuan Haji Azhar bin Nayan
Non-Executive Director

Mr. Siow Kee Yen
Independent Non-Executive Director

Puan Adillah binti Ahmad Nordin
Independent Non-Executive Director

AUDIT COMMITTEE

: Chairman
Mr. Siow Kee Yen
Independent Non-Executive Director

Committee Members
Puan Adillah binti Ahmad Nordin
Independent Non-Executive Director

Datuk Dr.Ting Chung Cheng
Managing Director

SECRETARIES

: Ms. Chua Siew Chuan (MAICSA 0777689)

Ms. Sean Ne Teo (LS 008058)

REGISTERED OFFICE

: Graha Maju (Bangunan PKNM)
Tingkat 10-Lot 6, Jalan Graha Maju
75300 Melaka.
Tel : 06-2840393
Fax : 06-2840141

Corporate Information

NOMINATION COMMITTEE

: Chairman
Mr. Siow Kee Yen
Independent Non-Executive Director

Committee Members
Puan Adillah binti Ahmad Nordin
Independent Non-Executive Director

Tuan Haji Azhar bin Nayan
Non-Executive Director

REMUNERATION COMMITTEE

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

Committee Members
Mr. Siow Kee Yen
Independent Non-Executive Director

Datuk Dr. Ting Chung Cheng
Managing Director

REGISTRAR

: Tenaga Korporat Sdn Bhd
Tingkat 20, Plaza Permata, Jalan Kampar
Off Jalan Tun Razak
50400 Kuala Lumpur.
Tel : 03-40416522
Fax : 03-40426352

AUDITOR

: Ernst & Young
Graha Maju Bangunan PKNM
Tingkat 10 Lot 1, Jalan Graha Maju
75300 Melaka.

STOCK EXCHANGE LISTING

: Main Board of The Kuala Lumpur Stock
Exchange

Managing Director's Statement

On behalf of the Board of Directors of Ornapaper Berhad, I have great pleasure to present to you the First Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2002 after its official listing on the Main Board of the Kuala Lumpur Stock Exchange on 29 January 2003.

PERFORMANCE AND FINANCIAL REVIEWS

The proforma Group turnover and profit after tax for the whole year was RM113.1 million and RM11.2 million respectively. As the acquisition of the subsidiary companies was only completed on 1 December 2002, the turnover and profit after tax attributable to the Group was RM8.7 million and RM0.9 million respectively.

As compared to the preceeding year, on proforma basis, the Group achieved a 14% growth in profit after tax despite a marginal decline in turnover by 1%. The improved performance was mainly due to lower finance cost incurred during the year.

DIVIDEND

The Board of Directors does not recommend any dividend payment at the forthcoming Annual General Meeting.

CURRENT YEAR'S PROSPECT

The national's GDP growth rate for the year 2003 is expected to be 4.5% (Source : BNM Annual Report 2003). The corrugated carton industry turnover is therefore envisaged to grow at least in tandem with the GDP.

The Group is expanding into the consumer market with the manufacturing of corrugated specialty paper products which includes paper furniture. This expansion of product range is contributory in the Group's wider clientele base.

Coupled with the actions taken by all operational units to reduce costs, the Group expects, barring unforeseen circumstances to achieve forecast profit after tax of RM12.59 million for the financial year ending 31 December 2003.

APPRECIATION

On behalf of the Board, I would like to record my sincere thanks and appreciation to our esteemed bankers, valued business associates and employees for their invaluable support. My appreciation also goes to the shareholders, management and members of the Board for their dedication and commitment to the Group during the year.

Corporate Governance Statement

The Board of Directors ("The Board") is committed to ensuring that corporate governance is practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Company.

Since the Company's listing on the Main Board of the Kuala Lumpur Stock Exchange on 29 January 2003, various steps has been undertaken to implement recommendations of the code. In preparing this report, the Board has considered the manner in which it has applied the Principles of the Code and the extent to which it has complied with the Best Practices of the Code.

Set out below is a statement of how the Company has applied the Principles, and the extent of compliance with the Best Practices of the Malaysian Code of Corporate Governance ("the Code") pursuant to paragraph 15.26 of the Kuala Lumpur Stock Exchange Listing Requirements ("the Listing Requirements"). Any areas where the Group has not complied with the Code are explained within this statement.

THE BOARD OF DIRECTORS

Board Balance and Composition

The Group is currently led and managed by a Board comprising of six members, two of whom are Independent Non-Executive, one Non-Executive and three Executive Directors. The Board of Directors comprises 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. A brief profile of each Director is presented on pages 6 to 8 of this Annual Report.

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 balanced 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-Executive Director contribute significantly in areas such as policy and strategy, performance monitoring as well as improving governance and controls.

The Board comprises 1/3 Independent Directors and is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Company. The Board does not intend to appoint an Independent Chairman to the Board and will identify a senior Independent Non-Executive Director to facilitate communications of any stakeholders concerns where it would not be appropriate to be dealt with by the Managing Director or the Executive Directors.

Corporate Governance Statement

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. Currently, the effectiveness of the Groups day-to-day operations is monitored through financial and operational budgets which are approved by the Managing Director.

The Board has also delegated certain responsibilities to other Board Committees, which operate within clearly defined terms of reference. Standing committees of the Board include the Audit Committee (see Report on Audit Committee set out on pages 20 to 22), Remuneration Committee and Nomination Committee.

Board Meetings

The Board intends to meet at least four (4) times a year at quarterly intervals with additional meetings convened as required where urgent and important decisions may need to be made between scheduled meetings.

The Company acquired its subsidiary companies on 1 December 2002 pursuant to the listing exercise. The Company was listed on the Main Board of the Kuala Lumpur Stock Exchange on 29 January 2003. The first Board meeting was held on 21 March 2003 subsequent to listing.

Supply of Information

Prior to each Board meeting, all Directors are provided with the board papers with details on matters to be discussed at the meetings. All Directors, whether as a Board or in their individual capacity have full access to information within the Group and to obtain independent professional advice in furtherance of their duties at the Group's expense, if required. In addition, all Directors have access to the advice and service of the Company Secretary.

The Board has not formalised its roles and responsibilities, including its authority and procedures in assessing information and professional advice, which is currently implicitly understood by the Directors. The Board will look into this matter and take relevant steps to comply with these Best Practices.

Corporate Governance Statement

Board Committees

The Board has in place the following committees to assist in carrying out its fiduciary duties. All these committees have written Terms of Reference clearly outlining their duties and responsibilities:

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

Audit Committee

The membership, terms of reference and activities of the Audit Committee are detailed in the report of the Audit Committee detailed on pages 20 to 22 of the Annual Report.

Since the Committee was formed on 2 December 2002, no Audit Committee meetings was held during the financial year under review. The number of Audit Committee meetings and attendance for meetings of the Audit Committee since the date of listing of the Company on 29 January 2003 are as follows:

<u>Members</u>	<u>Number of Audit Committee Meetings</u>	
	<u>Held</u>	<u>Attended</u>
Mr. Siow Kee Yen	1	1
Puan Adillah binti Ahmad Nordin	1	1
Datuk Dr.Ting Chung Cheng	1	1

Nomination Committee

The Nomination Committee was established by the Board on 21 March 2003. The Committee comprises three Non-Executive Directors, two of whom are independent. The members are as follows:

Chairman:

Mr. Siow Kee Yen - Independent Non-Executive Director

Members:

Puan Adillah binti Ahmad Nordin - Independent Non-Executive Director

Tuan Haji Azhar bin Nayan - Non-Executive Director

No meetings had been held during the year under review. The terms of reference of the Committee has been prepared with key duties and responsibilities including the review of the mix of skills and competencies of the Board members and its committees, recommending candidates as members to the Board and its committees as well as assessing the effectiveness of the Board and its committee members.

Corporate Governance Statement

No review has been done on the performance of the Directors as the Board is in the process of formalising a procedure to evaluate the performance of the individual Directors.

Currently, there is no formal succession planning in place for the Group. However, the Board is looking into formalising the succession planning procedures through its Nomination Committee. The Board will look into the above matters and take relevant steps to comply with these Best Practices.

Remuneration Committee

The Remuneration Committee was established by the Board on 21 March 2003. The Committee comprises two Independent Non-Executive Directors and an Executive Director. The members are as follows:-

Chairman:

Puan Adillah binti Ahmad Nordin - Independent Non-Executive Director

Members:

Mr. Siow Kee Yen - Independent Non-Executive Director

Datuk Dr. Ting Chung Cheng - Managing Director

No meetings had been held during the year under review. The terms of reference of the Committee has been prepared with key duties and responsibilities including the review of the annual salaries, incentive arrangements, service agreements and other employment conditions of the Executive Directors, to structure the component parts of remuneration so as to link rewards to corporate and individual performance and to ensure the levels of remuneration be sufficiently attractive and be able to retain Directors needed to run the Company successfully.

The remuneration packages of the Executive Directors, namely Datuk Dr. Ting Chung Cheng, Mr. Ang Kwee Teng and Mr. See Wan Seng for the financial year ended 31 December 2002 were determined by the Board prior to the setting up of the Remuneration Committee on 21 March 2003.

Corporate Governance Statement

DIRECTORS' REMUNERATION

Details of the remuneration for the Directors during the year are as follows:-

	Executive Directors RM'000	Non-Executive Directors RM'000
Salary and other emoluments	30	-
Fees	15	20
Benefit in kind	4	-

The number of Directors of the Company whose total remuneration fall within the following bands:-

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	3	3

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.

Appointments and Re-election of the Board

All matters relating to the appointments to the Board are detailed in the Nomination Committee section on pages 14 to 15 of the Annual Report.

In accordance with the Company's Articles of Associations, all the Directors shall retire from office at the First Annual General Meeting of the Company and at each Annual General Meeting in the subsequent year, one-third (1/3) of the Directors for the time being or the number nearest to one-third (1/3), shall retire from office provided always that all Directors, shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall be eligible for re-election and shall retain office until the close of the meeting at which he retires.

The details of the retiring Directors are set out in the Annual Report.

Corporate Governance Statement

Directors' Training

All Directors have enlisted for the Mandatory Accreditation Programme (MAP) organised by the Research Institute of Investment Analysts Malaysia (RIIAM), the training arm of the KLSE and will attend similar training programmes annually to equip themselves with the knowledge to discharge their duties effectively.

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Group values the dissemination of timely information to shareholders. This will be communicated through the Annual General Meeting and Annual Report and various disclosures and announcements made to the KLSE including the quarterly financial statements.

The Company will be having its first AGM on 23 June 2003. All shareholders will be given a copy of the Company's Annual Report and notice of the Annual General Meeting (AGM) at least 21 days before the date of the meeting. The notice of the AGM will be published in a major newspaper and released to the KLSE for public dissemination.

At general meetings, the Board will present the progress and performance of the Company and encourages shareholders to participate in the question and answer session. Executive Directors and where appropriate, the members of the Board are available to respond to shareholders' questions during the meeting. The policy of the Company is to maintain active dialogue with its shareholders with the intention of giving shareholders a clear status of the Company's performance and prospects.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced and understandable assessment of the Group's financial performance and prospects through the annual financial statements and quarterly announcements of results to shareholders as well as the MD's statement in the Annual Report. In this regard, the Audit Committee on behalf of the Board assists in scrutinising the information to be disclosed, to ensure accuracy and adequacy.

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 Board's Statement on Internal Control is set out on pages 23 to 25 of the Annual Report.

Corporate Governance Statement

Relationship with the Auditors

The role of the Audit Committee in relation to the external auditors is disclosed in the Report on Audit Committee set out on pages 20 to 22.

OTHER INFORMATION

Share Buy-back

The Company has not been authorized by shareholders to purchase its own shares and has not purchased any of its own shares during the financial year. As such, there are no shares being retained as treasury shares by the Company.

Options, Warrants or Convertible Securities

The Company has not granted any options to any parties to take up unissued shares in the Company. The Company has not issued any warrants or convertible securities. As such, there were no exercise of any options, warrants or convertible securities during the financial year.

Sanctions and/or Penalties Imposed

There were no material sanction and/or penalty being imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

Non-audit Fees Paid to External Auditors

During the financial year ended 31 December 2002, non-audit fees paid to the external auditors as Reporting Accountants in respect of their review and report on the Company's financial estimate, forecast and projections for Initial Public Listing purposes amounted to RM161,000 (2001:nil).

Profit Guarantee

The Company did not provide any profit guarantee for the Group's operation.

Material Contract Involving Directors and Major Shareholders

During the financial year under review, the Group did not enter into any material contracts involving Directors' and major shareholders' interest.

Director's Responsibility Statement

This statement is prepared as required by Paragraph 15.27 (a) of the listing Requirements of the KLSE.

Corporate Governance Statement

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of the results and cash flows of the Group and of the Company for the financial year ended.

In preparing these financial statements, the Directors have:-

- ❖ adopted appropriate accounting policies and applied them consistently.
- ❖ used reasonable and prudent judgements and estimates.
- ❖ ensured that applicable approved accounting standards have been followed.
- ❖ prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure the financial statements comply with the Companies Act, 1965.

The Directors have general responsibilities for taking such steps that are reasonably available to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

Audit Committee

MEMBERSHIP

The Audit Committee of the Company is made up of the following members:

<u>No.</u>	<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
1.	Mr. Siow Kee Yen	Chairman	Independent Non- Executive Director
2.	Puan Adillah binti Ahmad Nordin	Member	Independent Non- Executive Director
3.	Datuk Dr.Ting Chung Cheng	Member	Managing Director

TERMS OF REFERENCE

The Audit Committee was established on 2 December 2002 and adopted the terms of reference as set out below:

COMPOSITION

The Company shall appoint an Audit Committee from amongst its Directors and shall consist of not less than three (3) in numbers of whom a majority shall be independent Directors. No alternate Director is appointed as a member of the Committee and at least one (1) member of the Committee:-

- (a) shall be a member of the Malaysian Institute of Accountants; or
- (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
 - (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- (c) fulfils such other requirements as prescribed by the Exchange.

The members of the Audit Committee shall elect a Chairman from among their number who shall be an independent Director. In the event of any vacancy in Committee resulting in the non-compliance of the above stated conditions, the Company shall fill the vacancy within three (3) months. The Board of Directors of the Company shall review the term of office and performance of the Audit Committee and each its members 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.

Audit Committee

RIGHTS

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

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

Where the Committee is of the view that a matter reported by it to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Kuala Lumpur Stock Exchange, the Audit Committee shall promptly report such matter to the Kuala Lumpur Stock Exchange.

MEETING

The Audit Committee shall meet at least each quarter of a financial year and such additional meetings as the Chairman shall decide in order to fulfill its duties. The Company Secretary or any person appointed by the Audit Committee shall act as Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and other supporting explanatory documentation for circulation to the Committee Members prior to each meeting. The Secretary will also be responsible for keeping the minutes of the meetings of the Audit Committee, and circulating them to Committee Members and to other members of the Board of Directors. 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. Other Directors and employees must attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

A quorum shall consist of a majority of members present who must be independent Directors.

FUNCTIONS

The functions of the Audit Committee are as follow:-

1. review the following and report the same to the board of Directors of the Company:-
 - (a) the audit plan with the external auditor.
 - (b) with the external auditor its evaluation of the system of internal controls.

Audit Committee

- (c) the audit report with the external auditors.
- (d) the assistance given by the employees of the Company to the external auditor.
- (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (g) the quarterly results and year end financial statements, prior to the approval by the board of Directors, focusing particularly on:-
 - (i) changes in or implementation of major accounting policy changes.
 - (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements.
- (h) any related party transaction 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) any letter of resignation from the external auditors of the Company; and
- (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and

2. to recommend the nomination of a person or persons as external auditors.

After the financial year, the activities of the Audit Committee was summarised as follows:-

Review the financial results and the announcement for the quarter ended 31 March 2003 of the Group prior to the Board of Directors' approval.

Statement On Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board Directors of listed companies should maintain a sound system of internal control to safeguard shareholders' investment and Group assets. Set out below is the Board of Directors' ('the Board') Statement on Internal Control ('Statement') as a Group, made in compliance with para 15.27 of the KLSE's Listing Requirements and the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

THE BOARD'S RESPONSIBILITY

The Board recognises that it is responsible for the Group's system of internal control and effective risk management practices in the Group to ensure good corporate governance. The Board affirms its responsibility for reviewing the adequacy and integrity of the Group's system of internal control and management information systems, including systems for compliance with applicable laws, rules, directives, guidelines and risk management practices.

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. It follows, therefore, that the system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

THE GROUP'S SYSTEM OF INTERNAL CONTROL

Monitoring Mechanisms and Management Style

The Board entrusts the daily running of the business to the Managing Director ('MD') and his management team. The Managing Director 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 through a fully computerised system.

The MD plays a pivotal role in communicating the Board's expectations of the system 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 management committee composed of Heads Of Departments meet weekly to discuss Production, Operational, Sales and Human Resource issues. The MD monitors the progress of these issues through daily interaction with management and the review of the Management Committee minutes.

Statement On Internal Control

Risk Management Framework

In dealing with its stewardship responsibilities, the Board recognises that effective risk management is part of good business management practice. The Board acknowledges that all areas of the Group's activities involve some degree of risk and is committed to ensuring that the Group has an effective risk management framework which will allow the Group to be able to identify, evaluate and manage risks that affect the achievement of the Group's business objectives within defined risk parameters in a timely and effective manner.

Subsequent to year end, Ornapaper has initiated a process to develop a formal risk management framework for the effective identification, evaluation, management and reporting of the Group's risks. The process would also include the establishment of a formal risk management policy and an oversight structure to oversee these activities.

Key Elements of the Group's System of Internal Control

The current system of internal control in the Group has within it, the following key elements:-

- ❖ 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 and weekly reports to the MD containing both financial and non-financial information.
- ❖ Employee Handbooks 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.

Statement On Internal Control

Assurance Mechanism

The Audit Committee ('AC') is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control. The AC was formed on the 2nd of December 2002 prior to the Group's listing on 29th January 2003 and is scheduled to conduct its first meeting in May 2003.

Subsequent to year end, Ornapaper has established an independent internal audit function. An audit plan will be developed by the internal audit function, and approved in the AC meeting.

The internal audit function, will provide the AC with periodic reports, based on the audits conducted, highlighting observations, recommendations and management action plans to improve the system of internal control. In addition, the AC will also plays a key role in reviewing and deliberating on any matters relating to internal control highlighted by the external auditors in the course of their statutory audit of the financial statements of the Group

Additionally, as part of the requirements of the ISO9001 certification accredited to the Group, scheduled internal quality audits are conducted. Results of these audits are reported to the MD.

THE BOARD'S COMMITMENT

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

Financial Statements

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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 period ended 31 December 2002.

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 period.

RESULTS

	Group 12.3.2002 to 31.12.2002 RM	Company 12.3.2002 to 31.12.2002 RM
Net profit for the period	<u>909,296</u>	<u>42,491</u>

There were no material transfers to or from reserves or provisions during the financial period 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 period were not substantially affected by any item, transaction or event of a material and unusual nature.

Directors' Report

DIVIDEND

No dividend has been paid or declared by the Company since the date of incorporation. The directors do not recommend the payment of any dividend for the current financial period.

DIRECTORS

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

Martin Ang Mui Chin	(first director, resigned on 2 December 2002)
Gan Peng Teng	(first director, resigned on 2 December 2002)
Datuk Dr. Ting Chung Cheng	(appointed on 2 December 2002)
Tuan Haji Azhar bin Nayan	(appointed on 2 December 2002)
See Wan Seng	(appointed on 2 December 2002)
Siow Kee Yen	(appointed on 2 December 2002)
Adillah binti Ahmad Nordin	(appointed on 2 December 2002)
Ang Kwee Teng	(appointed on 2 December 2002)

DIRECTORS' BENEFITS

Neither at the end of the financial period, nor at any time during that period, 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 date of incorporation, 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' Report

DIRECTORS' INTERESTS

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

Number of Ordinary Share of RM1 each				
	Date of appointment	Bought	Sold	31 December 2002
Direct				
Datuk Dr.Ting Chung Cheng	9,329,241	-	-	9,329,241
Indirect				
Ang Kwee Teng	20,773,886	-	-	20,773,886
See Wan Seng	20,773,886	-	-	20,773,886

Datuk Dr.Ting Chung Cheng, Ang Kwee Teng and See Wan Seng 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 the Company has an interest.

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

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.

Directors' Report

- (b) 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 :
- (i) require any amount to be written off as bad debts or render the amount provided for as doubtful debts inadequate to any substantial extent; and
 - (ii) render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:-
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial period 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 period.
- (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 period 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 period 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 period in which this report is made.

Directors' Report

SIGNIFICANT EVENTS

The significant events during the financial period is disclosed in Note 23 to the financial statements.

SUBSEQUENT EVENT

On 29 January 2003, the enlarged issued and paid up share capital of 62,000,000 ordinary shares of RM1 each was listed and quoted on the Main Board of the Kuala Lumpur Stock Exchange.

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: 7 April 2003

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 35 to 61 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 2002 and of the results and the cash flows of the Group and of the Company for the period 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: 7 April 2003

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 35 to 61 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 7 April 2003)	DATUK DR. TING CHUNG CHENG

Before me,
COMMISSIONER FOR OATHS
A. SUPRAMANIAM PIS (No. M018)

Report Of The Auditors

to the members of Ornapaper Berhad

We have audited the accompanying financial statements set out on pages 35 to 61. 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 2002 and of the results and the cash flows of the Group and of the Company for the period 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

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' 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. 2187/09/03(J)
Partner

Melaka, Malaysia
Date: 7 April 2003

Income Statements

for the period ended 31 December 2002

	Note	Group 12.3.2002 to 31.12.2002 RM	Company 12.3.2002 to 31.12.2002 RM
Revenue	3	8,732,002	126,135
Cost of sales		(6,381,436)	-
Gross profit		2,350,566	126,135
Administrative expenses		(229,830)	-
Selling and marketing expenses		(507,492)	-
Other operating expenses		(362,072)	(59,436)
Profit from operations	4	1,251,172	66,699
Finance cost, net	6	(203,876)	(6,323)
Profit before taxation		1,047,296	60,376
Taxation	7	(138,000)	(17,885)
Net profit for the period		909,296	42,491
Earnings per share (sen)	8	20	

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

Balance Sheets

as at 31 December 2002

	Note	Group 2002 RM	Company 2002 RM
NON-CURRENT ASSETS			
Property, plant and equipment	9	66,512,743	-
Investment in subsidiaries	10	-	55,783,495
Other investments	11	269,400	-
		<u>66,782,143</u>	<u>55,783,495</u>
CURRENT ASSETS			
Inventories	12	12,863,480	-
Trade receivables	13	33,472,398	-
Other receivables	14	1,217,946	500,909
Cash and bank balances	15	4,764,119	184,798
		<u>52,317,943</u>	<u>685,707</u>
CURRENT LIABILITIES			
Short term borrowings	16	38,490,229	-
Trade payables		5,293,889	-
Other payables	18	3,049,619	1,117,366
		<u>46,833,737</u>	<u>1,117,366</u>
NET CURRENT ASSETS/(LIABILITIES)			
		<u>5,484,206</u>	<u>(431,659)</u>
		<u>72,266,349</u>	<u>55,351,836</u>
FINANCED BY :			
Share capital	19	54,000,000	54,000,000
Reserves		2,218,641	1,351,836
Shareholders' equity		<u>56,218,641</u>	<u>55,351,836</u>
Long term borrowings	16	4,947,241	-
Deferred taxation	20	777,000	-
Reserve on consolidation		10,323,467	-
Non-current liabilities		<u>16,047,708</u>	<u>-</u>
		<u>72,266,349</u>	<u>55,351,836</u>

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

Statements Of Changes In Equity

for the period ended 31 December 2002

	Share capital RM	Non- distributable Share premium RM	Distributable Retained profit RM	Total RM
Group				
Date of incorporation	2	-	-	2
Issue of share capital	499,998	-	-	499,998
Acquisition of subsidiaries	52,649,204	2,632,460	-	55,281,664
Rights issue	850,796	-	-	850,796
Shares issuance expenses	-	(1,323,115)	-	(1,323,115)
Net profit for the period	-	-	909,296	909,296
At 31 December 2002	54,000,000	1,309,345	909,296	56,218,641
Company				
Date of incorporation	2	-	-	2
Issue of share capital	499,998	-	-	499,998
Acquisition of subsidiaries	52,649,204	2,632,460	-	55,281,664
Rights issue	850,796	-	-	850,796
Shares issuance expenses	-	(1,323,115)	-	(1,323,115)
Net profit for the period	-	-	42,491	42,491
At 31 December 2002	54,000,000	1,309,345	42,491	55,351,836

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

Cash Flow Statements

for the period ended 31 December 2002

	Group 12.3.2002 to 31.12.2002 RM	Company 12.3.2002 to 31.12.2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,047,296	60,376
Adjustments for :		
Depreciation	320,071	-
Provision for doubtful debts	22,209	-
Gross dividend	-	(113,635)
Interest expenses	229,694	6,323
Interest income	(25,818)	-
Operating profit/(loss) before working capital changes	1,593,452	46,936
Decrease in receivables	(761,239)	(3,333)
Decrease in inventories	(374,264)	-
Increase/(decrease) in payables	(1,863,447)	1,117,366
Cash (used in)/generated from operations	(1,405,498)	1,067,097
Interest paid	(229,694)	(6,323)
Interest received	25,818	-
Taxation paid	(65,592)	-
Net cash (used in)/generated from operating activities	(1,674,966)	1,060,774
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from issuance of shares	1,350,796	1,350,796
Shares issuance expenses	(1,323,115)	(1,806,758)
Net inflow/(outflow) from acquisition of subsidiaries	4,834,605	(501,831)
Net dividends received	-	81,817
Purchase of property, plant and equipment	(3,976,877)	-
Net cash generated from/(used in) investing activities	885,409	(875,976)

Cash Flow Statements

for the period ended 31 December 2002

	Group 12.3.2002 to 31.12.2002 RM	Company 12.3.2002 to 31.12.2002 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loan	(116,371)	-
Repayment of hire purchase	(177,933)	-
Short term borrowings	1,960,246	-
Net cash generated from financial activities	1,665,942	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	876,385	184,798
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	-	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (NOTE 15)	876,385	184,798

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

Notes To The Financial Statements

for the period ended 31 December 2002

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 period.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Kuala Lumpur Stock Exchange subsequent to the financial period. The registered office of the Company is located at Tingkat 10-Lot 6, Jalan Graha Maju, 75300 Melaka.

The number of employees in the Group at the end of the financial period was 387. There was no employee in the Company at the end of the financial period. The accounting records of the Company are maintained by the employees of a subsidiary.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 7 April 2003.

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.

(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.

Notes To The Financial Statements

for the period ended 31 December 2002

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.

(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).

Notes To The Financial Statements

for the period ended 31 December 2002

Capital work-in-progress is not depreciated. Leasehold land is depreciated 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 converted into Ringgit Malaysia at rate of exchange ruling at the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rate ruling at that date. Non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. All exchange differences are taken to the income statement.

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

	2002 RM
United States Dollar	3.80

Notes To The Financial Statements

for the period ended 31 December 2002

(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) Deferred Tax

The tax expense for the period is based on the profit for the period, as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred taxation is provided for by the liability method for all timing differences except when there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

(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.

(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.

Notes To The Financial Statements

for the period ended 31 December 2002

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 purchased 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, other than inventories and assets arising from financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(m) 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.

Notes To The Financial Statements

for the period ended 31 December 2002

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred.

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

(ii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are 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.

Notes To The Financial Statements

for the period ended 31 December 2002

(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.

3. REVENUE

Revenue of the Company represents dividend income and management fees receivable from subsidiaries.

Revenue of the subsidiaries comprise invoiced value sales net of discounts and returns.

4. PROFIT FROM OPERATIONS

Profit from operations is stated after charging :

	Group 12.3.2002 to 31.12.2002 RM	Company 12.3.2002 to 31.12.2002 RM
Auditors' remuneration		
- Special audit	1,000	1,000
- current year	30,750	20,000
Doubtful debts	22,209	-
Depreciation	320,071	-
Directors' remuneration (Note 5)	85,960	15,000
Rental expense	24,400	-
Staff costs	641,665	-

Notes To The Financial Statements

for the period ended 31 December 2002

5. DIRECTORS' REMUNERATION

	Group 12.3.2002 to 31.12.2002 RM	Company 12.3.2002 to 31.12.2002 RM
Directors of the Company		
Executive:		
Salaries and other emoluments	30,102	-
Fees	15,000	-
Benefits-in-kind	4,150	-
	<u>49,252</u>	<u>-</u>
Non-Executive:		
Fees	<u>20,000</u>	<u>15,000</u>
Other Directors		
Executive:		
Salaries and other emoluments	5,858	-
Fees	15,000	-
	<u>20,858</u>	<u>-</u>
Analysis excluding benefits-in-kind:		
Total executive directors' remuneration excluding benefits-in-kind	70,960	-
Total non-executive directors' remuneration excluding benefits-in-kind	<u>15,000</u>	<u>15,000</u>
Total directors' remuneration excluding benefits-in-kind (Note 4)	<u>85,960</u>	<u>15,000</u>

Notes To The Financial Statements

for the period ended 31 December 2002

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

	Number of Directors Group	Company
Executive directors:		
Below RM50,000	7	-
Non-Executive directors:		
Below RM50,000	2	2

6. FINANCE COST, NET

	Group 12.3.2002 to 31.12.2002 RM	Company 12.3.2002 to 31.12.2002 RM
Interest expense	229,694	6,323
Interest income	(25,818)	-
	<u>203,876</u>	<u>6,323</u>

7. TAXATION

	Group 12.3.2002 to 31.12.2002 RM	Company 12.3.2002 to 31.12.2002 RM
Tax expense for the period	<u>138,000</u>	<u>17,885</u>

Notes To The Financial Statements

for the period ended 31 December 2002

The effective tax rate of the Group is lower than the statutory tax rate principally due to the claims of reinvestment allowances.

The effective tax rate of the Company is higher than the statutory tax rate principally due to certain expenses being disallowed for taxation purposes.

8. EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the net profit for the period of RM909,296 by the weighted average number of ordinary shares of 4,645,615 in issue during the financial period.

9. PROPERTY, PLANT AND EQUIPMENT

Group	Long term leasehold land RM	Factory buildings RM	Plant, machinery, factory equipment and electrical installation RM	* Other assets RM	Capital work-in-progress RM	Total RM
Cost						
Acquisition of subsidiaries	6,543,122	15,154,840	55,134,752	4,636,908	1,166,525	82,636,147
Additions	2,557,776	-	383,961	35,140	1,000,000	3,976,877
At 31 December 2002	9,100,898	15,154,840	55,518,713	4,672,048	2,166,525	86,613,024
Accumulated Depreciation						
Acquisition of subsidiaries	479,932	1,680,036	14,370,058	3,250,184	-	19,780,210
Depreciation charge for the period	6,198	24,382	248,761	40,730	-	320,071
At 31 December 2002	486,130	1,704,418	14,618,819	3,290,914	-	20,100,281

Notes To The Financial Statements

for the period ended 31 December 2002

	Long term leasehold land RM	Factory buildings RM	Plant, machinery, factory equipment and electrical installation RM	* Other assets RM	Capital work-in -progress RM	Total RM
Net Book Value	8,614,768	13,450,422	40,899,894	1,381,134	2,166,525	66,512,743

* Other assets comprise motor vehicles, office equipment, furniture, fittings and office renovation.

(a) The net book value of property, plant and equipment pledged to financial institutions for bank borrowings as referred to Note 16 are as follows.

	Group 2002 RM
Long term leasehold land	8,614,768
Factory buildings	13,450,422
Plant and machinery, factory equipment and electrical installation	40,427,870
Other assets	1,347,402
Capital work-in-progress	2,166,525
	<u>66,006,987</u>

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

	Group 2002 RM
Plant and machinery	10,059,755
Motor vehicles	462,426
Factory equipment	160,388
	<u>10,682,569</u>

Notes To The Financial Statements

for the period ended 31 December 2002

(c) Included in property, plant and equipment of the Group are fully depreciated assets which are still in use costing RM2,705,888.

10. INVESTMENT IN SUBSIDIARIES

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

Details of the subsidiaries are as follows :

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

Acquisition of subsidiaries:

On 1 December 2002, the Group acquired 100% equity interest in Ornapaper Industry (M) Sdn. Bhd. and Ornapaper Industry (Batu Pahat) Sdn. Bhd. for a total consideration of RM55,783,497 which consists of cash consideration of RM501,831 and the issue of 52,649,104 new ordinary shares of RM1 each of the Company at an issue price of RM1.05 each.

The effect of the acquisition on the financial results of the Group from the date of acquisition to 31 December is as follows:

	RM
Revenue	8,732,002
Operating costs	<u>(7,763,270)</u>
Net profit	<u>968,732</u>

Notes To The Financial Statements

for the period ended 31 December 2002

The effect of the acquisition on the financial position of the Group as at 31 December 2002 is as follows:

	RM
Property, plant and equipment	66,512,743
Other investments	269,400
Inventories	12,863,480
Trade and other receivables	34,189,435
Cash and bank	4,579,321
Short term borrowings	(38,490,229)
Trade and other payables	(7,226,142)
Long term borrowings	(4,947,241)
Deferred taxation	(777,000)
Reserve on consolidation	(10,323,467)
Group's share of net assets	<u>56,650,300</u>

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiaries are as follows:

	1.12.2002 RM
Net assets acquired:	
Property, plant and equipment	62,855,937
Other investments	269,400
Inventories	12,489,216
Trade and other receivables	33,938,200
Cash and bank	5,803,071
Bank overdraft	(466,635)
Short term borrowings	(29,902,090)
Trade and other payables	(10,206,955)
Hire purchase creditors	(7,523,000)
Term loan	(458,704)
Taxation	85,522
Deferred Taxation	(777,000)
Fair value of total net assets	<u>66,106,962</u>
Reserve on acquisition	(10,323,467)
Total consideration	<u>55,783,495</u>

Notes To The Financial Statements

for the period ended 31 December 2002

1.12.2002
RM

Satisfied by:

Cash

501,831

Shares issued

55,281,664

55,783,495

Net cash inflow arising on acquisition:

Cash consideration

501,831

Cash and cash equivalents of subsidiaries acquired

(5,336,436)

(4,834,605)

11. OTHER INVESTMENTS

Group
2002
RM

At cost :

Quoted shares

19,400

Unquoted shares

225,000

Club membership

25,000

269,400

Market value of quoted shares

17,120

12. INVENTORIES

Group
2002
RM

At costs :

Raw materials

12,356,283

Finished goods

507,197

12,863,480

Notes To The Financial Statements

for the period ended 31 December 2002

13. TRADE RECEIVABLES

	Group 2002 RM
Trade receivables	35,372,878
Less : Provision for doubtful debts	(1,900,480)
	<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.

14. OTHER RECEIVABLES

	Group 2002 RM	Company 2002 RM
Deposits and prepayments	903,086	2,500
Other receivables	301,746	-
Due from a subsidiary	-	833
Prepayment of taxation	13,114	497,576
	<u>1,217,946</u>	<u>500,909</u>

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

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

Notes To The Financial Statements

for the period ended 31 December 2002

15. CASH AND CASH EQUIVALENTS

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

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

The weighted average interest rate during the financial period and the average maturity of deposit as at 31 December 2002 were as follows :

	Weighted Average Interest Rate	Average Maturity Day
Licensed bank	4%	365

16. BORROWINGS

	Group 2002 RM
Short Term Borrowings	
Secured :	
Bank overdrafts (Note 15)	3,887,734
Bankers' acceptances	31,862,336
Term loan	342,333
Hire purchase payables (Note 17)	2,397,826
	<u>38,490,229</u>

Notes To The Financial Statements

for the period ended 31 December 2002

**Group
2002
RM**

Long Term Borrowings

Secured :	
Term loan	-
Hire purchase payables (Note 17)	4,947,241
	<u>4,947,241</u>

Total Borrowings

Bank overdrafts	3,887,734
Bankers' acceptances	31,862,336
Term loan	342,333
Hire purchase payables (Note 17)	7,345,067
	<u>43,437,470</u>

Maturity of borrowings (excluding hire purchase)	
Within one year	<u>36,092,403</u>

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

**Group
2002
%**

Bank overdrafts	7.90
Bankers' acceptances	3.40
Term loan	7.75

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

Notes To The Financial Statements

for the period ended 31 December 2002

17. HIRE PURCHASE PAYABLES

	2002 RM
Minimum hire purchase payments :	
Not later than 1 year	3,167,390
Later than 1 year and not later than 2 years	2,962,570
Later than 2 years and not later than 5 years	2,564,832
	<u>8,694,792</u>
Less : Future finance charges	(1,349,725)
	<u>7,345,067</u>
Present value of hire purchase liabilities :	
Not later than 1 year	2,397,826
Later than 1 year and not later than 2 years	2,520,026
Later than 2 years and not later than 5 years	2,427,215
	<u>7,345,067</u>
Analysed as :	
Due within 12 months (Note 16)	2,397,826
Due after 12 months (Note 16)	4,947,241
	<u>7,345,067</u>

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

18. OTHER PAYABLES

	Group 2002 RM	Company 2002 RM
Due to a subsidiary	-	1,063,734
Other payables	2,224,048	-
Accruals	825,571	53,632
	<u>3,049,619</u>	<u>1,117,366</u>

The amount due to a subsidiary is unsecured, bears interest of 1.2% per annum and has no fixed terms of repayment.

Notes To The Financial Statements

for the period ended 31 December 2002

19. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each 2002	Amount 2002 RM
Authorised :		
At date of incorporation	100,000	100,000
Created during the period	99,900,000	99,900,000
	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid :		
At date of incorporation	2	2
Issued and paid up during the period	53,999,998	53,999,998
At 31 December	<u>54,000,000</u>	<u>54,000,000</u>

The new ordinary shares rank pari passu in all respects with the existing ordinary shares.

20. DEFERRED TAXATION

	Group 2002 RM
Acquisition of subsidiaries/ 31 December	<u>777,000</u>

The deferred taxation provided in the financial statements is in respect of timing differences between book depreciation and corresponding capital allowances.

Notes To The Financial Statements

for the period ended 31 December 2002

21. 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 2002.

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 locally and is not exposed to various currencies, except for United States Dollar. Foreign currency denominated liabilities together with expected cash flows to highly probable purchases give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

Notes To The Financial Statements

for the period ended 31 December 2002

(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 risks, 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 Company'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.

22. COMMITMENT

	Group 2002 RM
Capital expenditure :	
Approved and contracted for	<u>1,000,000</u>

23. SIGNIFICANT EVENTS

On 27 August 2002, the Company obtained approval from the Securities Commission on its proposed restructuring and listing on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE"). The restructuring scheme involves the following :

- (a) issue of 499,998 new ordinary shares of RM1.00 each.

Notes To The Financial Statements

for the period ended 31 December 2002

(b) acquisitions of the entire issued and paid up share capital of Ornapaper Industry (M) Sdn. Bhd. ("OISB(M)") and Ornapaper Industry (Batu Pahat) Sdn. Bhd. ("OISB(BP)") for a total purchase consideration of RM55,783,495 based on the audited NTA of the respective companies as at 31 December 2001. The amount was satisfied by an issue of 52,649,204 new ordinary shares of RM1.00 each in the Company at an issue price of approximately RM1.05 and cash of RM501,831 per share as follows :

Company	No. of shares acquired	Equity interest acquired %	Purchase consideration	No. of new shares to be issued	Cash RM
OISB(M)	22,727,000	100	54,779,833	52,171,270	-
OISB(BP)	1,000,000	100	1,003,662	477,934	501,831
			<u>55,783,495</u>	<u>52,649,204</u>	<u>501,831</u>

(c) rights issue of 850,796 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.00 per share.

(d) public issue of 8,000,000 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.60 per share.

24. SUBSEQUENT EVENT

On 29 January 2003, the enlarged issued and paid up share capital of 62,000,000 ordinary shares of RM1 each was listed and quoted on the Main Board of the Kuala Lumpur Stock Exchange.

25. SEGMENT INFORMATION

The segmental information is not prepared as the Group is principally involved in manufacturing and trading of corrugated boards and carton boxes which is predominantly carried out in Malaysia.

26. COMPARATIVE FIGURES

There is no comparative figures as this is the first set of financial statements since date of incorporation.

List Of Landed Properties

Registered Owner	Title/Location	Description	Existing Use	Land Area (sq. ft.) / Built-up Area (sq. ft.)	Tenure From / To	Approximate Age of Building (years)	Net Book Value As at 31 December 2002 (RM'000)
OISB(M)	H.S.(M) 455 to H.S.(M) 475 Lot 4944 to PT 4964, Mukim of Bachang, District of Melaka Tengah, Malacca	A factory complex together with seven vacant industrial lots (PT 4958 and PT 4964)	Industrial	362,854/ Factory Building: 167,572 Three Storey Office Block: 17,846	Leasehold 99 years expiring on 24 September 2094	6	18,143
	Factory No. 8998, Kawasan Perindustrian Batu Berendam (Phase IV) (Taman Perindustrian Batu Berendam), Batu Berendam, Malacca						
OISB(BP)	HS(D) 43098, Lot No. PLO 271 (PTD 39208), Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim	A single warehouse incorporating a three-storey office	Industrial	140,655/ Warehouse: 65,875 Three Storey Office Block: 8,611	60-year leasehold expiring on 10 July 2060	5	3,922
	Factory No. PLO 271, Jalan Wawasan 5, Kawasan Perindustrian Sri Gading, 83009 Batu Pahat, Johor Darul Takzim						

Shareholding Statistics

as at 30 April 2003

Class of Shares : RM1.00 Ordinary Share
Voting Rights : 1 Vote Per Ordinary Share

DISTRIBUTION OF SHAREHOLDERS

Range	No. of Shareholders	%	No. of Shares	%
1 - 999	1	0.06	750	0.00
1,000 - 1,0000	1,586	87.77	4,455,000	7.19
10,001 - 10,0000	190	10.51	5,841,250	9.42
100,001 - 3,099,999	27	1.49	10,430,918	16.82
3,100,000 & Above	3	0.17	41,272,082	66.57
Total	1,807	100.00	62,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

Name	Direct No. of Share	%	Indirect No. of Shares	%
Intisari Delima Sdn Bhd	18,634,888	30.06	-	-
Lembaga Tabung Haji	14,268,545	23.01	-	-
Datuk Dr. Ting Chung Cheng	8,368,649	13.50	-	-
Mr. Ang Kwee Teng	-	-	18,634,888 *	30.06
Mr. See Wan Seng	-	-	18,634,888 *	30.06

Notes:-

* Deemed Interest by virtue of their shareholdings in Intisari Delima Sdn Bhd.

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS MAINTAINED UNDER SECTION 134 OF THE COMPANIES ACT, 1965

Name	Direct No. of Share	%	Indirect No. of Shares	%
Datuk Dr. Ting Chung Cheng	8,368,649	13.50	-	-
Tuan Haji Azhar bin Nayan	25,000	0.04	-	-
Mr. Siow Kee Yen	5,000	0.01	-	-
Puan Adillah binti Ahmad Nordin	4,000	0.01	-	-
Mr. Ang Kwee Teng	-	-	18,634,888 *	30.06
Mr. See Wan Seng	-	-	18,634,888 *	30.06

Notes:-

* Deemed Interest by virtue of their shareholdings in Intisari Delima Sdn Bhd.

Shareholding Statistics

as at 30 April 2003

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

	Name	No. of Shares	%
1.	Intisari Delima Sdn Bhd	18,634,888	30.06
2.	Lembaga Tabung Haji	14,268,545	23.01
3.	Ting Chung Cheng	8,368,649	13.50
4.	Selat Muhibbah Sdn. Bhd.	2,332,310	3.76
5.	Pilihan SistematiK Sdn. Bhd.	1,000,000	1.61
6.	Nik Hussain Bin Nik Ali	841,000	1.36
7.	Pilihan SistematiK Sdn. Bhd.	804,324	1.30
8.	Mohamad Razalli Bin Mohd Talib	690,000	1.11
9.	Pilihan SistematiK Sdn. Bhd.	521,000	0.84
10.	Mohamad Razalli Bin Mohd Talib	500,000	0.81
11.	Tan Chin Hwee	470,586	0.76
12.	Hsu, Yao-Jih	275,000	0.44
13.	Mayban Securities Nominees (Tempatan) Sdn Bhd (Pledged securities account for Lau Hock Lee (REM 444-Margin))	231,000	0.37
14.	Gan Peng Teng	227,849	0.37
15.	Martin Ang Mui Chin	227,849	0.37
16.	Huang, Chien-Yi	200,000	0.32
17.	Right Way Industrial (Malaysia) Sdn Bhd	200,000	0.32
18.	Mohammad Allaudin Bin Md Ali	182,000	0.29
19.	Jolly Wood Sdn. Bhd.	180,000	0.29
20.	Lin Tang-Ming	177,000	0.29
21.	Lim Soon Guan	162,000	0.26
22.	Amanah Raya Nominees (Tempatan) Sdn Bhd (for Amanah Saham Johor Pelaburan Johor Berhad)	160,000	0.26
23.	Billy Wood Industrial Sdn Bhd	150,000	0.24
24.	Chan Hua Heng	142,000	0.23
25.	Liang Lee Ming @ Leong Lee Ming	140,000	0.23
26.	Citicorp Nominees (Tempatan) Sdn Bhd (Pledged securities account for Anuar Bin Sujud (471850))	135,000	0.22
27.	Hong Leong Finance Berhad (Pledged securities account for Lai Kim Fong)	122,000	0.20
28.	Ho Fah See	120,000	0.19
29.	Hon Meng Heng	120,000	0.19
30.	Hong Leong Finance Berhad (Pledged securities account for Wee Song Ching)	120,000	0.19
		51,703,000	83.39

PROXY FORM

I/We, _____ NRIC No. _____
of (full address) _____
being a Member/Members of **ORNAPAPER BERHAD**, hereby appoint _____
of _____
or failing him, _____ of _____
or failing him the Chairman of the Meeting as my/ our proxy to vote for me/ us and on my/ our behalf at the First Annual General Meeting of the Company, to be held at Bunga Raya Ballroom 1, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100, Melaka on Monday, 23 June 2003 at 10.30 a.m. and at any adjournment thereof.

ORDINARY RESOLUTIONS	FOR	AGAINST
1. To receive the Audited Financial Statements for the financial period from the date of incorporation, 12 March 2002 to 31 December 2002 together with the Directors' Report and Auditors' Report thereon.		
2. To approve the payment of Directors' fee for the financial period from the date of incorporation, 12 March 2002 to 31 December 2002.		
3. To re-elect Datuk Dr. Ting Chung Cheng, who shall retire in accordance with Article 92 of the Company's Articles of Association.		
4. To re-elect Tuan Haji Azhar bin Nayan, who shall retire in accordance with Article 92 of the Company's Articles of Association.		
5. To re-elect Mr. See Wan Seng, who shall retire in accordance with Article 92 of the Company's Articles of Association.		
6. To re-elect Mr. Siow Kee Yen, who shall retire in accordance with Article 92 of the Company's Articles of Association.		
7. To re-elect Puan Adillah binti Ahmad Nordin, who shall retire in accordance with Article 92 of the Company's Articles of Association.		
8. To re-elect Mr. Ang Kwee Teng, who shall retire in accordance with Article 92 of the Company's Articles of Association.		
9. 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.		
AS SPECIAL BUSINESS		
10. Ordinary Resolution - Authority to directors to allot and issue shares.		
11. Special Resolution - Proposed amendment to the Articles of Association.		

(Please indicate with ✓ how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote as he thinks fit or abstain from voting at his discretion).

As witness my/ our hand(s) this _____ day of _____, 2003

No. of Shares held

.....
Signature

Notes:

1. A member entitled to attend and to vote at this Meeting is entitled to appoint more than two (2) proxies to attend and to 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.
2. If the appointer is a corporation, the form of proxy must be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
3. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, must be deposited at the Registered Office of the Company at Graha Maju (Bangunan PKNM), Tingkat 10-Lot 6, Jalan Graha Maju, 75300 Melaka not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

Fold this flap for sealing

Then flap here

AFFIX
STAMP
HERE

THE COMPANY SECRETARY
Graha Maju (Bangunan PKNM)
Tingkat 10-Lot 6, Jalan Graha Maju,
75300 Melaka.

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No. 8998, Kawasan Perindustrian
Batu Berendam Peringkat IV,
75350 Melaka, Malaysia.
Tel : 606-3355888 Fax : 606-3355999
E-mail : melaka@ornapaper.com
Website : www.ornapaper.com