

# Contents

**2** *Notice Of The Second Annual General Meeting*

**11** *Corporate Information*

**13** *Managing Director's Statement*

**16** *Corporate Governance Statement*

**24** *Audit Committee Report*

**27** *Statement On Internal Control*

**30** *Financial Statements*

**66** *List Of Landed Properties*

**67** *Shareholding Statistics*

**69** *Proxy Form*

# Notice Of The Second Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Second Annual General Meeting of ORNAPAPER BERHAD will be held at Bunga Teratai, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Wednesday, 30 June 2004 at 10.30 a.m. for the following purposes:-

## AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2003 together with the Auditors' Report thereon. (Resolution 1)
2. To approve the declaration of a final tax exempt dividend of 5% for the financial year ended 31 December 2003. (Resolution 2)
3. To approve the payment of Directors' Fees for the financial year ended 31 December 2003. (Resolution 3)
4. To re-elect the following Directors who shall retire pursuant to 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 4)
  - (b) Mr. Ang Kwee Teng. (Resolution 5)
5. To re-elect Mr. Sai Chin Hock, who shall retire pursuant to Article 98 of the Company's Articles of Association and who being eligible, offered himself for re-election. (Resolution 6)
6. To re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. (Resolution 7)

# Notice Of The Second Annual General Meeting

## 7. As Special Business:-

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

### Ordinary Resolution

- Authority to allot shares pursuant to Section 132D of the Companies Act, 1965

"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 8)

- 8. To consider any other business for which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)  
SEAN NE TEO (LS 008058)  
Company Secretaries

Melaka  
7 June 2004

# Notice Of The Second Annual General Meeting

## **Explanatory Note to Special Business:-**

1. The proposed adoption of the Ordinary Resolution above is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening further general meetings to approve issue of such shares for such purposes.

## **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 forty-eight (48) hours before the time fixed for holding the meeting or at any adjournment thereof.

# Statements Accompanying Notice Of Annual General Meeting

The Directors standing for re-election at the Second Annual General Meeting of the Company to be held at Bunga Teratai, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Wednesday, 30 June 2004 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 6 of the Annual Report	Refer to Page 7 of the Annual Report
Mr. Ang Kwee Teng (Article 92 of the Company's Articles of Association)	Refer to Page 6 of the Annual Report	Refer to Page 9 of the Annual Report
Mr. Sai Chin Hock (Article 98 of the Company's Articles of Association)	Refer to Page 6 of the Annual Report	Refer to Page 10 of the Annual Report

# Statements Accompanying Notice Of Annual General Meeting

## 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
- ♦ Mr. Ang Kwee Teng
- ♦ Mr. Sai Chin Hock

Details of Directors standing for re-election are set out in Profile of the Board of Directors (pages 7 to 10).

## Details of attendance of Directors at Board Meetings

Details of attendance of Directors at Board meetings are as follows :-

<u>Directors</u>	<u>Number of Board Meetings</u>	
	<u>Held</u>	<u>Attended</u>
Datuk Dr. Ting Chung Cheng	7	7
Mr. Ang Kwee Teng	7	7
Mr. See Wan Seng	7	7
Mr. Sai Chin Hock (appointed on 23.6.2003)	3	2
Tuan Haji Azhar bin Nayan	7	7
Mr. Siow Kee Yen	7	7
Puan Adillah binti Ahmad Nordin	7	7

## Date, time and place of the Annual General Meeting

Date : 30 June 2004

Time : 10.30 a.m.

Place : Bunga Teratai, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka.

# Profile Of The Board Of Directors

## ♦ **Datuk Dr. Ting Chung Cheng\***

Age	: 48
Nationality	: Taiwanese
Designation / Position in the Company	: Managing Director
Date of appointment	: 2 December 2002
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	: 41
Nationality	: Malaysian
Designation / Position in the Company	: Non-Executive Director
Date of appointment	: 2 December 2002
Qualification	: Degree in Bachelor of Science Accountancy; MBA in Finance; Member of American Institute of Certified Public Accountants
Work experience	: Management Consultant in Ernst & Whinny; Auditor with Arthur Andersen & Co.; General Manager in Lembaga Tabung Haji (1989 to present)
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



# Profile Of The Board Of Directors

## ♦ Mr. See Wan Seng

Age	: 57
Nationality	: Malaysian
Designation / Position in the Company	: Executive Director
Date of appointment	: 2 December 2002
Qualification	: Bachelor of Commerce degree from Nanyang University Singapore
Work experience	: 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	: 33
Nationality	: Malaysian
Designation / Position in the Company	: Independent Non-Executive Director;
Date of appointment	: 2 December 2002
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



# Profile Of The Board Of Directors

## ♦ Puan Adillah binti Ahmad Nordin

Age	: 35
Nationality	: Malaysian
Designation / Position in the Company	: Independent Non-Executive Director
Date of appointment	: 2 December 2002
Qualification	: LL.B (Honours)
Work experience	: English Bar & Malaysian Bar (1993 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
Date of appointment	: 2 December 2002
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

# Profile Of The Board Of Directors

♦ **Mr. Sai Chin Hock\***

Age	: 55
Nationality	: Malaysian
Designation / Position in the Company	: Executive Director
Date of appointment	: 23 June 2003
Qualification	: Bachelor of Commerce degree from Nanyang University Singapore
Work experience	: Experienced businessman, he served as the Consultant and advisor to the Board and Management of Geahin Engineering Berhad; Director of Perfect Food Manufacturing (M) Sdn. Bhd. (1995 to present)
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct - nil Deemed - 19,094,212 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

*Note: \* Indicate Directors who retire according to the Articles of Association of the Company and are eligible to offer themselves for re-election.*

# Corporate Information

## BOARD OF DIRECTORS

: Datuk Dr. Ting Chung Cheng  
*Managing Director*

Mr. Ang Kwee Teng  
*Executive Director*

Mr. See Wan Seng  
*Executive Director*

Mr. Sai Chin Hock  
*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 Bursa Malaysia Securities  
Berhad (Bursa Malaysia)

# Managing Director's Statement

On behalf of the Board of Directors of Ornapaper Berhad (OB), I have great pleasure to present to you the Second Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2003.

## PERFORMANCE AND FINANCIAL REVIEWS

I am pleased to report that the Group recorded a turnover of RM123 million for the financial year under review, an increase of 8.8% over the previous financial period's turnover of RM113 million (pro-forma basis). The Group registered a pre-tax profit of RM9.6 million as compared to a pre-tax profit of RM12 million (pro-forma basis) for the previous financial period, a drop of 20%. Net tangible assets per share of the Group as at 31 December 2003 was RM1.30.

During the year under review, the Group operated under an excess capacity business environment with intense price competition and rising raw material cost.

## UTILISATION OF PROCEEDS AS AT 31 DECEMBER 2003

The proceeds arising from the rights issue of RM851,000 during the previous financial period and the public issue during the financial year of RM12,800,000 amounting to a total of RM13,651,000 were utilised as follows:

	RM'000
(1) Repayment of Hire Purchase Creditors	6,758
(2) Working Capital	4,893
(3) Listing Expenses	2,000
	<u>13,651</u>

## PROFIT FORECAST

A comparison between the forecasted profit (included in the Group's prospectus dated 24 December 2002) and the audited profit for the current financial year is as follows :-

	Forecast RM'000	Audited RM'000	Variance RM'000
Profit before taxation	17,215	9,594	7,621
Taxation	<u>(4,626)</u>	<u>(1,529)</u>	<u>(3,097)</u>
Profit after taxation	<u>12,589</u>	<u>8,605</u>	<u>4,524</u>

# Managing Director's Statement

The deviation of profit after tax against forecasted profit was mainly due to lower profit margin as a result of :-

	RM'000
Lower sales volume and selling price resulting from price competition	3,510
Higher raw material cost	4,330
Others	(219)
	<hr/> 7,621
Tax effect at 28%	(2,134)
Overprovision of taxation	(963)
	<hr/> 4,524

## DIVIDEND

The Board of Directors has recommended for your approval payment of the first and final tax exempt dividend of 5% for the financial year ended 31 December 2003.

## MAJOR DEVELOPMENTS

In line with the Group's strategy to continue seeking opportunities to expand its operations in the domestic and international market, the Company is currently setting up a corrugated boards and carton manufacturing plant in Vietnam through Ornapaper Vietnam Co. Ltd. which will be a 55% owned subsidiary company upon completion of the proposed investment. The proposed investment will enable the Group to enhance its distribution network for corrugated boards and carton boxes and expand its operations into the overseas market.

Subsequent to the financial year 2003, the Company proposed to acquire :-

- (a) 100% interest in Ornapaper Industry (Perak) Sdn Bhd, a manufacturer of corrugated boards and carton boxes
- (b) 100% interest in Tripack Packaging (M) Sdn Bhd, a manufacturer of carton boxes
- (c) 80% interest in Ornapaper Industry (Johor) Sdn Bhd, a manufacturer of carton boxes

The proposed acquisition is expected to complete by third quarter of year 2004. The proposed acquisition will further strengthen and position the Group as one of the leading players in the corrugated carton industry.



# Managing Director's Statement

## CURRENT YEAR'S PROSPECT

The Malaysian economy is expected to strengthen further in year 2004, building on the strong growth momentum in the second half of year 2003 and brighter prospects for global growth in year 2004. Hence, the sales volume in the current financial year is expected to improve. However, the profitability of the Group is very much dependent on the selling price increase exercise led by the industry. We foresee the unhealthy competition resulting from over-capacity to continue until further consolidation in the industry.

## APPRECIATION

On behalf of the Board, I would like to extend my appreciation and thanks to our valued shareholders, bankers, business partners and government authorities for their continued support and trust in us.

I would also like to express my heartfelt gratitude to my fellow Directors, Management and Staff of the Group for their dedication and commitment shown in year 2003. I look forward to their team spirit and efforts to bring the Group to greater heights in year 2004 and beyond.

# Corporate Governance Statement

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

The Board is pleased to report to shareholders on the manner the Group has applied the Principles of Good Corporate Governance and the extent to which it has complies with the best practices set out in the Code.

## **THE BOARD OF DIRECTORS**

### **Board Balance and Composition**

The Group is currently led and managed by a Board comprising of seven members, two of whom are independent Non-Executive, one Non-Executive and four Executive Directors. The Board of Directors is made of Executive Directors with wide range of experiences in the paper packaging industry while the Non-Executive Directors are professionals with diverse knowledge and skills in the areas of accounting, legal, and general management. The Board's composition brings to the Group a diverse wealth of skills, knowledge as well as a balanced mix of experience and expertise to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction. A brief profile of each Director is presented on pages 7 to 10 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.

# 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 24 to 26), Remuneration Committee and Nomination Committee.

## Board Meetings

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

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

The Board met seven (7) times during the financial year ended 31 December 2003.

Details of attendance of Directors at Board meetings are as follows :-

Name	Attendance of Meetings
1. Datuk Dr. Ting Chung Cheng	7/7
2. Ang Kwee Teng	7/7
3. See Wan Seng	7/7
4. Sai Chin Hock (appointed on 23.6.2003)	2/3
5. Tuan Haji Azhar bin Nayan	7/7
6. Siow Kee Yen	7/7
7. Adillah binti Ahmad Nordin	7/7

# Corporate Governance Statement

## Board Committees

The Board has in place the following committees to assist in carry 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 on pages 24 to 26 of the Annual Report.

## 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:

Siow Kee Yen - Independent Non-Executive Director

### Members:

Adillah binti Ahmad Nordin - Independent Non-Executive Director

Tuan Haji Azhar bin Nayan - Non-Executive Director

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.

The Committee met once during the financial year 2003 with all members present.

# Corporate Governance Statement

## 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:

Adillah binti Ahmad Nordin - Independent Non-Executive Director

### Members:

Siow Kee Yen - Independent Non-Executive Director

Datuk Dr. Ting Chung Cheng - Managing Director

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 Committee met once during the financial year 2003 with all members present.

# 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	623	8
Fees	105	90
Benefit in kind	38	-

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	1	3
RM50,001 - RM100,000	1	-
RM150,001 - RM200,000	1	-
RM450,001 - RM500,000	1	-

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.

## **Re-election**

All Directors will retire at regular intervals by rotation once at least every three years and shall be eligible for re-election.



# Corporate Governance Statement

## **Directors' Training**

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

The Board members have registered to participate and attend training under the Continuing Education Programme (CEP) organized and conducted by approved trainers.

## **RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS**

### **Dialogue between Company and Investors**

The Group values the dissemination of timely information to shareholders. The Group reaches out to each and every shareholder through its distribution of Annual Reports and relevant circulars and announcements of quarterly results of the Group to the Bursa Malaysia Securities Berhad. The Company's Annual Report is informative with facts and figures, statutory reports and disclosures.

### **Annual General Meeting**

The Board encourages full participation by shareholders at every General Meeting of the Company and every opportunity is given to the shareholders to ask question and seek clarification on the business and performance of the Group.

## **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 27 to 29 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 24 to 26.

## **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 2003, non-audit fees paid to the external auditors for their review on the Company's proposed business expansion in Vietnam amounted to RM18,900.

### **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.

# Corporate Governance Statement

## Director's Responsibility Statement

This statement is prepared as required by Paragraph 15.27 (a) of the listing Requirements of the Bursa Malaysia Securities Berhad.

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 Report

## 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

## OBJECTIVES

The principal objective of the Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries and oversee the compliance with the relevant rules and regulations governing listed companies.

## COMPOSITION

The Audit Committee shall comprise of not less than three Directors, the majority of whom shall be Non-Executive and Independent Directors, and free from any relationships which might in the opinion of the Board of Directors be construed as a conflict of interest.

One of the Independent Non-Executive Directors of the Committee is a member of the Malaysian Institute of Accountants.

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 years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

# Audit Committee Report

## **RIGHTS**

The Audit Committee shall:-

- (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.

## **MEETING**

Meetings shall be held not less than four (4) times a year. In addition, the Chairman shall call for a meeting of the Committee if requested to do so by any member of the Committee. A quorum shall consist of a majority of members present who must be independent Directors.

The Audit Committee held three (3) meetings during the financial year ended 31 December 2003 since the date of listing of the Company on 29 January 2003.

Details of attendance of the Committee Members are as follows :-

### ***Directors***

### ***Attendance of Meetings***

Siow Kee Yen	3/3
Adillah binti Ahmad Nordin	3/3
Datuk Dr. Ting Chung Cheng	3/3

## **SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR**

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

- (a) Reviewed the external auditors' scope of work and audit plans for the year.
- (b) Reviewed external auditors' report.
- (c) Reviewed the Group's internal audit plan.
- (d) Reviewed and assessed the implementation of the wide risk management framework for the Company and the Group.



# Audit Committee Report

- (e) Reviewed the quarterly results and year end financial statements prior to the approval by the Board of Directors focusing particularly on :-
  - changes in or implementation of major accounting policy changes,
  - significant and unusual events, and
  - compliance with accounting standards and other legal requirements.
- (f) Reviewed the related party transactions and conflict of interest situation that may arise within the Group including any transactions, procedure or course of conduct that raises questions of Management integrity.

## **FUNCTIONS**

The Committee shall amongst others, discharge the following functions :-

1.
  - (a) the audit plan with the external auditor.
  - (b) with the external auditor its evaluation of the system of internal controls.
  - (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.



# Statement On Internal Control

## INTRODUCTION

The Malaysian Code on Corporate Governance ("the code") 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') of Ornapaper Berhad's ("the Group") Statement on Internal Control ('Statement'), made in compliance with para 15.27 of the Bursa Malaysia Securities Berhad, formerly known as Malaysia Securities Exchange Berhad. The Board is committed to maintain a sound system of internal control in the Group and is pleased to provide the following statement which outlines the state, nature and scope of internal control of the Group for the year.

## BOARD RESPONSIBILITY

The Board acknowledges its responsibility 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 any system can only provide reasonable and 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 MD and his management team receive timely information pertaining to performance and profitability of the Group through monthly and weekly reports which include quantitative and qualitative trends and analyses 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**

The Board with the assistance from the professional advisors implemented an Enterprise Risk Management Framework within the Group with the aim of formalising the risk framework and profile for its business entities.

The Group conducted its first Enterprise-Wide Risk Management programme in April 2003 where key risks faced by the Group were identified and assessed through workshops and interview conducted with Directors, senior management staff, operating management and executives. A database of risk registers was compiled and risk mitigating action plans were communicated to the Management Committee ("MC"), which in turn identified and communicated to the Board the critical risks (present and future) the Group faced and management action plans to manage these risks. The MC plays a pivotal role in continuously monitoring the implementation of the mitigating action plans and assessing the relevance and adequacy of the risk management and control process in light of changes to the Group's risk profile.

## **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

The systems of internal control was satisfactory and has not resulted in any significant breakdown or weaknesses in the system of internal controls of the Group that have resulted in material losses incurred by the Group for the financial year 31 December 2003. The Group continues to take necessary measures to strengthen its internal control structure and manage the risks.

# 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.

During the year, the Group has outsourced an independent internal audit function. The internal audit function shall reports directly to the Audit Committee to provide feedback regarding the adequacy and integrity of the Group's system of internal control. The internal audit function reviews the key activities of the Group on the basis of an annual audit plan approved by the Audit Committee.

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

**31** *Directors' Report*

**36** *Statement By Directors*

**36** *Statutory Declaration*

**37** *Auditors' Report*

**39** *Income Statements*

**40** *Balance Sheets*

**41** *Statements Of Changes In Equity*

**42** *Cash Flow Statements*

**44** *Notes To The Financial Statements*

# Directors' Report

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

## PRINCIPAL ACTIVITIES

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

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

## RESULTS

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

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

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

## DIRECTORS

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

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

(appointed on 23.6.2003)

# Directors' Report

## DIRECTORS' BENEFITS

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

Since the end of the previous financial period, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1 Each			
	1 January 2003	Bought	Sold	31 December 2003
<b>Direct</b>				
Datuk Dr. Ting Chung Cheng	9,329,241	-	960,592	8,368,649
Tuan Haji Azhar bin Nayan	-	25,000	-	25,000
Siow Kee Yen	-	15,000	10,000	5,000
Adillah binti Ahmad Nordin	-	20,000	16,000	4,000
<b>Indirect</b>				
Ang Kwee Teng	20,773,886	-	2,138,998	18,634,888
See Wan Seng	20,773,886	-	2,138,998	18,634,888
Sai Chin Hock	-	19,094,212	-	19,094,212

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

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



# Directors' Report

## SHARE CAPITAL

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

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

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

## OTHER STATUTORY INFORMATION

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

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

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

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

# Directors' Report

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

# Directors' Report

## AUDITORS

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

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

DATUK DR. TING CHUNG CHENG

SEE WAN SENG

Melaka, Malaysia  
Date: 8 March 2004

# 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 39 to 65 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

DATUK DR. TING CHUNG CHENG

SEE WAN SENG

Melaka, Malaysia  
Date: 8 March 2004

# Statutory Declaration

*Pursuant to section 169 (16) of the Companies Act, 1965*

I, DATUK DR. TING CHUNG CHENG, being the director primarily responsible for the financial management of ORNAPAPER BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 39 to 65 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

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

DATUK DR. TING CHUNG CHENG

Before me,  
A. SUPRAMANIAM PIS

# Report Of The Auditors

*to the members of Ornapaper Berhad*

We have audited the accompanying financial statements set out on pages 39 to 65. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

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

# Report Of The Auditors

*to the members of Ornapaper Berhad*

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

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

Ernst & Young  
AF: 0039  
Chartered Accountants

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

Melaka, Malaysia  
Date: 8 March 2004



# Income Statements

for the year ended 31 December 2003

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

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

# Balance Sheets

as at 31 December 2003

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

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

# Statements Of Changes In Equity

for the period ended 31 December 2003

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

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

# Cash Flow Statements

for the year ended 31 December 2003

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

# Cash Flow Statements

for the year ended 31 December 2003

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

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

# Notes To The Financial Statements

31 December 2003

## 1. CORPORATE INFORMATION

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

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



# Notes To The Financial Statements

31 December 2003

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

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

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

## **(b) Basis of Consolidation**

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

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

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

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

## **(c) Reserve on Consolidation**

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

# Notes To The Financial Statements

31 December 2003

## (d) Investment in Subsidiaries

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

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

## (e) Property, Plant and Equipment and Depreciation

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

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

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

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

## (f) Inventories

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

## (g) Foreign Currency Transactions

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

# Notes To The Financial Statements

31 December 2003

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

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

## (h) Cash and Cash Equivalents

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

## (i) Income Tax

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

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

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

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

## (j) Revenue Recognition

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

# Notes To The Financial Statements

31 December 2003

## **(i) Sale of goods**

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

## **(ii) Dividend income**

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

## **(k) Hire Purchase and Finance Lease**

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

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

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

## **(l) Impairment of Assets**

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

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

# Notes To The Financial Statements

31 December 2003

## **(m) Employee Benefits**

### **(i) Short term benefits**

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

### **(ii) Defined contributions plans**

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

## **(n) Financial Instruments**

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

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

### **(i) Other Non-Current Investments**

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

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



# Notes To The Financial Statements

31 December 2003

## **(ii) Marketable Securities**

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

## **(iii) Trade Receivables**

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

## **(iv) Trade Payables**

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

## **(v) Interest-Bearing Borrowings**

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

## **(vi) Equity Instruments**

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

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



# Notes To The Financial Statements

31 December 2003

## 3. REVENUE

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

## 4. PROFIT FROM OPERATIONS

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

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

# Notes To The Financial Statements

31 December 2003

## 5. DIRECTORS' REMUNERATION

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

# Notes To The Financial Statements

31 December 2003

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

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

## 6. FINANCE COST, NET

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

## 7. TAXATION

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

# Notes To The Financial Statements

31 December 2003

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

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

## 8. EARNINGS PER SHARE

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

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

# Notes To The Financial Statements

31 December 2003

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

# Notes To The Financial Statements

31 December 2003

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

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

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

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

## 10. INVESTMENT IN SUBSIDIARIES

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



# Notes To The Financial Statements

31 December 2003

Details of the subsidiaries are as follows :

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

## 11. OTHER INVESTMENTS

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

## 12. INVENTORIES

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

# Notes To The Financial Statements

31 December 2003

## 13. TRADE RECEIVABLES

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

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

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

## 14. OTHER RECEIVABLES

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Deposits and prepayments	668,981	903,086	65,682	2,500
Other receivables	3,512,761	301,746	-	-
Due from subsidiaries	-	-	14,656,043	833
	<u>4,181,742</u>	<u>1,204,831</u>	<u>14,721,725</u>	<u>3,333</u>

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

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

# Notes To The Financial Statements

31 December 2003

## 15. CASH AND CASH EQUIVALENTS

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

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

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

	Weighted Average Interest Rate		Average Maturity Days	
	2003	2002	2003	2002
Deposit with licensed bank	4%	4%	365	365

## 16. BORROWINGS

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

# Notes To The Financial Statements

31 December 2003

	<b>Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>
<b>Total Borrowings</b>		
Bank overdrafts	-	3,887,734
Bankers' acceptances	38,361,605	31,862,336
Term loan	-	342,333
Hire purchase payables (Note 17)	3,067,679	7,345,067
	<u>41,429,284</u>	<u>43,437,470</u>

Maturity of borrowings (excluding hire purchase)		
Within one year	<u>38,361,605</u>	<u>36,092,403</u>

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

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

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

## 17. HIRE PURCHASE PAYABLES

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

# Notes To The Financial Statements

31 December 2003

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

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

## 18. TRADE PAYABLES

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

## 19. OTHER PAYABLES

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

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

## 20. SHARE CAPITAL

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

# Notes To The Financial Statements

31 December 2003

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

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

## 21. RESERVES

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

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

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

## 22. DEFERRED TAXATION

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



# Notes To The Financial Statements

31 December 2003

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

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

## 23. CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

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

### (a) Changes in Accounting Policy - MASB 25

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

### (b) Prior Year Adjustments

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

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

# Notes To The Financial Statements

31 December 2003

## 24. COMMITMENT

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

## 25. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

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

## 26. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Objectives and Policies

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

### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Company had no substantial long-term interest-bearing assets as at 31 December 2003.

# Notes To The Financial Statements

31 December 2003

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

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

## **(c) Foreign Exchange Risk**

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

## **(d) Liquidity Risk**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

## **(e) Credit Risk**

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments except as disclosed in Notes 13 and 14.

## **(f) Fair Values**

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

# List Of Landed Properties

Title / Location	Land Area (Square Metres)	Tenure From / To	Existing Use	Approximate Age of Building (Years)	Date of Acquisition	Net Book Value As at 31 December 2003 (RM'000)
H.S.(M) 455 to H.S.(M) 470 Lot 4944 to PT 4959 Mukim of Bachang, District of Melaka Tengah, Melaka	33,720	Leasehold 99 Years Expiring on 24/09/2094	Industrial Premier	7	16-Jan-96	18,618
H.S.(M) 471 to H.S.(M) 475 Lot 4960 to PT 4964 Mukim of Bachang, District of Melaka Tengah, Melaka	17,246	Leasehold 99 Years Expiring on 24/09/2094	Industrial Premier (Under Construction)	-	4-Mar-02	
Lot PT 6127, Kawasan Perindustrian Batu Berendam IV, Melaka	6,822	Leasehold 99 Years Expiring on 24/09/2094	Industrial Premier (Under Construction)	-	1-Aug-03	
Factory No.: 8998 Kawasan Perindustrian Batu Berendam (Phase IV) (Taman Perindustrian Batu Berendam), Batu Berendam, Melaka						
H.S. (D) 43098 Lot No. PLO 271 (PTD39208), Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim	13,067	Leasehold 60 Years Expiring on 10/07/2060	Industrial Premier	6	27-Oct-97	3,849
Factory No. PLO 271, Jalan Wawasan 5, Kawasan Perindustrian Sri Gading, 83009 Batu Pahat, Johor Darul Takzim						

# Shareholding Statistics

as at 30 April 2004

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 - 1,000	631	27.92	612,648	0.99
1,001 - 1,0000	1,342	59.38	5,967,900	9.63
10,001 - 10,0000	258	11.42	7,634,050	12.31
100,001 - 3,099,999	26	1.15	6,513,320	10.51
3,100,000 & Above	3	0.13	41,272,082	66.56
Total	2,260	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
Mr. Sai Chin Hock	-	-	19,094,212 #	30.80

## 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
Mr. Sai Chin Hock	-	-	19,094,212 #	30.80

### Notes:-

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

# Deemed Interested by virtue of him being the father to Mr Sai Tzy Horng, a substantial shareholder of Pilihan Sistemik Sdn Bhd and by virtue of his substantial shareholdings in Intisari Delima Sdn Bhd.



# Shareholding Statistics

as at 30 April 2004

## THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

	<b>Name</b>	<b>No. of Shares</b>	<b>%</b>
1.	Intisari Delima Sdn Bhd	18,634,888	30.06
2.	Lembaga Tabung Haji	14,268,545	23.01
3.	Datuk Dr. Ting Chung Cheng	8,368,649	13.50
4.	Yong Wei Chung	955,300	1.54
5.	Yang, Wei-Chen	646,710	1.04
6.	Citicorp Nominees (Asing) Sdn Bhd MLPFS for Ivan International Ltd	474,400	0.77
7.	Pilihan Sistemati Sdn. Bhd.	459,324	0.74
8.	Tan Chin Hwee	435,586	0.70
9.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged securities account for Hon Meng Heng	410,100	0.66
10.	Hsu, Fang-Szu	240,000	0.39
11.	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Johor	200,000	0.32
12.	Huang, Chien-Yi	200,000	0.32
13.	Mah Chet Hong	200,000	0.32
14.	Teh Cheng Ho	200,000	0.32
15.	Chuah Ah Techik	180,000	0.29
16.	Jolly Wood Sdn. Bhd.	180,000	0.29
17.	Public Nominees (Tempatan) Sdn Bhd Pledged securities account for Lau Sie Kwong (E-BTR)	170,000	0.27
18.	Malacca Equity Nominees (Tempatan) Sdn Bhd Pledged securities account for Swe Amin @ Swi Ah Min	157,000	0.25
19.	Amanah Raya Nominees (Tempatan) Sdn Bhd Dana Johor	150,000	0.24
20.	Billy Wood Industrial Sdn Bhd	150,000	0.24
21.	Cheng Ho Shu Huei	150,000	0.24
22.	Right Way Industrial (Malaysia) Sdn Bhd	150,000	0.24
23.	Tang, Tsung-Chin	127,000	0.20
24.	Lin Tang-Ming	125,000	0.20
25.	Choo Teck Keong	116,200	0.19
26.	Tan Kar Pin	113,500	0.18
27.	Hong Leong Finance Berhad Pledged securities account for Goh Chye Hin	111,200	0.18
28.	Chan Foong Cheng	110,000	0.18
29.	Then Fook Khian	102,000	0.16
30.	Chan Hua Heng	100,000	0.16
		<b>47,885,402</b>	<b>77.23</b>



# 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 Second Annual General Meeting of the Company, to be held at Bunga Teratai, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Wednesday, 30 June 2004 at 10.30 a.m. and at any adjournment thereof.

ORDINARY RESOLUTIONS	FOR	AGAINST
1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2003 together with the Auditors' Report thereon.		
2. To approve the declaration of a final tax exempt dividend of 5% for the financial year ended 31 December 2003.		
3. To approve the payment of Directors' Fees for the financial year ended 31 December 2003.		
4. To re-elect Datuk Dr. Ting Chung Cheng who shall retire pursuant to Article 92 of the Company's Articles of Association and who being eligible, offered himself for re-election.		
5. To re-elect Mr. Ang Kwee Teng who shall retire pursuant to Article 92 of the Company's Articles of Association and who being eligible, offered himself for re-election.		
6. To re-elect Mr. Sai Chin Hock, who shall retire pursuant to Article 98 of the Company's Articles of Association and who being eligible, offered himself for re-election.		
7. 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.		
<b>AS SPECIAL BUSINESS</b>		
8. Ordinary Resolution - Authority to allot shares pursuant to Section 132D of the Companies Act, 1965.		

(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 \_\_\_\_\_, 2004

No. of Shares held

.....  
Signature

**Notes:**

- 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.
- 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.
- 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.
- 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

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AFFIX  
STAMP  
HERE

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

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