ORNAPAPER BERHAD (573695-W)

# Annual Report O O O

## Ornapaper Berhad

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

**Notice Of The Third Annual General Meeting** 

2

**Corporate Information** 

8

**Managing Director's Statement** 

10

**Corporate Governance Statement** 

12

**Audit Committee Report** 

18

**Statement On Internal Control** 

21

**Financial Statements** 

23

**List Of Landed Properties** 

56

**Shareholding Statistics** 

57

**Proxy Form** 

59

(incorporated in Malaysia)

# Notice Of The Third Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Third Annual General Meeting of ORNAPAPER BERHAD will be held at Bunga Teratai, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Thursday, 30 June 2005 at 10.30 a.m. for the following purposes:-

### **AGENDA**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2004 together with the Directors' Report and the Auditors' Report thereon.

(Resolution 1)

2. To approve the payment of Directors' Fees for the financial year ended 31 December 2004.

(Resolution 2)

3. 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) Mr. See Wan Seng

(Resolution 3)

(b) Mr. Siow Kee Yen

(Resolution 4)

4. To re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

(Resolution 5)

5. 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 6)

6. 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 2005

# Notice Of The Third 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 Lot 1A, 6th Floor, Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra, Batu Berendam, 75350 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

Name of Directors standing for re-election

The Directors standing for re-election as in Agenda 3 of the Notice of the Annual General Meeting are as follows:-

Name of Directors	Details of Individual Directors and other Disclosure Requirements
Mr. See Wan Seng (Article 92 of the Company's Articles of Association)	Refer to Page 6 of the Annual Report
Mr. Siow Kee Yen (Article 92 of the Company's Articles of Association)	Refer to Page 6 of the Annual Report

### **Details of attendance of Directors at board meetings**

Name of Directors	Number of Bo	Number of Board Meetings	
	<u>Held</u>	Attended	
Datuk Dr. Ting Chung Cheng	6	6	
Mr. Ang Kwee Teng	6	6	
Tuan Haji Azhar bin Nayan	6	5	
Puan Adillah binti Ahmad Nordin	6	6	
Mr. See Wan Seng	6	6	
Mr. Siow Kee Yen	6	6	
Mr. Sai Chin Hock (resigned on 1.9.2004)	5	4	

**Details of the Third Annual General Meeting** 

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

Date & Time : Thursday, 30 June 2005 at 10.30 a.m.

# **Profile Of** The Board Of Directors

W Datuk Dr. Ting Chung Cheng

**Nationality** 

**Designation / Position in the Company** 

Date of appointment

Qualification

Work experience

**Directorship in other Public Companies** 

Securities holding in the Company and its subsidiaries

Family relationship with any directors and / or major

shareholders of the Company

W Tuan Haji Azhar bin Nayan

Conflict of interest with the Company

List of conviction for offences within the past 10 years

: 42

: Nil

Nil

Nil

: 49

Taiwanese

**Managing Director** 

MBA & DBA Doctorate Degree

: 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); Director of Ornapaper Industry (Batu Pahat) Sdn. Bhd. (present); Director of Ornapaper Industry (Perak) Sdn. Bhd. (present); Director

of Tripack Packaging (M) Sdn. Bhd. (present)

2 December 2002

Age **Nationality** 

**Designation / Position in the Company** 

Date of appointment

Qualification

Work experience

: Malaysian

: Non-Executive Director

: Direct - 8,368,649 shares Deemed - 2.000.000 shares

: 2 December 2002

: Degree in Bachelor of Science Accountancy; MBA in

Finance; Member of American Institute of Certified

**Public Accountants** 

: Management Consultant in Ernst & Whinny; Auditor

with Arthur Andersen & Co.; General Manager in Lembaga Tabung Haji (1989 to present); Director of

Ornapaper Industry (M) Sdn. Bhd. (present)

**Tafi Industries Berhad** 

Direct - 25,000 shares

Deemed - nil

Nil

Family relationship with any directors and / or major

Securities holding in the Company and its subsidiaries

shareholders of the Company

Conflict of interest with the Company

**Directorship in other Public Companies** 

List of conviction for offences within the past 10 years

Nil

Nil

# Profile Of The Board Of Directors

W Mr. See Wan Seng \*

Age : 58
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); Director of

Tripack Packaging (M) Sdn Bhd (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 : 1

shareholders of the Company

Conflict of interest with the Company : Nil

List of conviction for offences within the past 10 years : Nil

### W Mr. Siow Kee Yen \*

Age : 34
Nationality : Ma

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

Nork experience

Audit Senior in Arthur Andersen & Co. (199)

Work experience : Audit Senior in Arthur Andersen & Co. (1996 to 1999);

Audit Manager with Chin & Co. (2000 to 2001);

Directorship in other Public Companies

Partner of KY Siow & Co. (2001 to present)

Nil

Securities holding in the Company and its subsidiaries : Direct - 5,000 shares

ecurities holding in the Company and its subsidiaries : Direct - 5,000 snares

Deemed - nil

Family relationship with any directors and / or major Deemed - nil
Nil

shareholders of the Company
Conflict of interest with 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

### W Puan Adillah binti Ahmad Nordin

Age : 36
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 : N

Securities holding in the Company and its subsidiaries : Direct - 4,000 shares

Deemed - nil

Family relationship with any directors and / or major : Nil

shareholders of the Company

Conflict of interest with the Company : Nil

List of conviction for offences within the past 10 years : Nil

### W Mr. Ang Kwee Teng

Age : 55

Nationality : Malaysian

Designation / Position in the Company : Executive Director
Date of appointment : 2 December 2002

Qualification :

Work experience : Director of Ornapaper Industry (M) Sdn Bhd (1995 to

present)

Directorship in other Public Companies : Golsta Synergy Berhad

Securities holding in the Company and its subsidiaries : Direct - nil Deemed - 18.634.888 shares

Family relationship with any directors and / or major : Ni

shareholders of the Company

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 elegible 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** 

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 Member Puan Adillah Binti Ahmad Nordin Independent Non-Executive Director** 

**Datuk Dr Ting Chung Cheng Managing Director** 

**SECRETARIES** 

: Chua Siew Chuan (MAICSA 0777689)

Sean Ne Teo (LS 008058)

REGISTERED OFFICE

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

# **Corporate Information**

NOMINATION COMMITTEE

: Chairman

Mr. Siow Kee Yen

**Independent Non-Executive Director** 

**Committee Member** 

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 Member

Mr. Siow Kee Yen

**Independent Non-Executive Director** 

**Datuk Dr Ting Chung Cheng** 

**Managing Director** 

REGISTRAR

: Tenaga Koperat Sdn Bhd

Tingkat 20, Plaza Permata, Jalan Kampar

Off Jalan Tun Razak, 50400 Kuala Lumpur.

Tel: 03-40416522 Fax: 03-40426352

**AUDITOR** 

Ernst & Young Lot 1, 6th Floor,

Menara Pertam, Jalan BBP 2,

Taman Batu Berendam,

Batu Berendam, 75350 Melaka.

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

# Managing Director's Statement

On behalf of the Board of Directors of Ornapaper Berhad ("OB"), it is my privilege to present the Third Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2004.

### PERFORMANCE AND FINANCIAL REVIEWS

For the financial year ended 31 December 2004, the Group recorded a turnover of RM135.8 million, representing an increase of 10.6% from the RM122.8 million recorded in the preceding year.

The increase in turnover was mainly attributed to the revenue generated by the new subsidiaries acquired in September 2004.

Despite the increase in turnover, the Group's pre-tax profit declined by 88.8% from RM9.59 million in the previous year to RM1.08 million. The decline was mainly due to rising raw material cost and intense price competition in the corrugated carton industry. The start-up costs incurred in our overseas operations and higher interest expenses had also negated the Group's profitability.

### DIVIDEND

No dividend has been declared in respect of the financial year ended 31 December 2004.

### CORPORATE DEVELOPMENTS

During the financial year, the Group completed the following corporate exercises :-

- (a) acquisition of 100% interest in Ornapaper Industry (Perak) Sdn Bhd, a manufacturer of corrugated boards and carton boxes for a purchase consideration of RM15,598,952 satisfied by way of issuance of 10,757,898 ordinary shares in OB at an issue price of RM1.45 per share
- (b) acquisition of 100% interest in Tripack Packaging (M) Sdn Bhd, a manufacturer of corrugated carton boxes for a purchase consideration of RM2,492,401 satisfied by way of issuance of 1,718,897 ordinary shares in OB at an issue price of RM1.45 per share
- (c) acquisition of 80% interest in Ornapaper Industry (Johor) Sdn Bhd, a manufacturer of corrugated carton boxes for a purchase consideration of RM1,122,018 satisfied by way of issuance of 773,806 ordinary shares in OB at an issue price of RM1.45 per share
- (d) investment of 55% equity interest in Ornapaper Vietnam Co. Ltd, a manufacturer in corrugated board and carton boxes for USD4.4 million cash (equivalent to RM16.75 million)
- (e) investment of 52.38% equity interest in Hello Paper Co. Ltd , a trader of wrapping paper materials for NTD2,750,000 cash (equivalent to RM309,075)

The above acquisitions and investments have further strengthened and positioned the Group as one of the leading players in the corrugated carton industry.

# **Managing Director's Statement**

### **CURRENT YEAR'S PROSPECT**

Barring any unforeseen circumstances, the Malaysian economy is expected to register a growth rate of between 5% to 6% in 2005. Therefore, we expect the local demand of our products to continue rise at the same pace. With the commencement of the operations of our corrugated plant in Vietnam in year 2005, the overall turnover of the Group is expected to improve further.

Current key factors affecting the business include pricing, product quality and customer service and continuous cost reduction measures. The Group will continue to focus on improving operational efficiencies in the face of high raw material prices and intense price competition in the corrugated carton industry.

### **APPRECIATION**

On behalf of the Board, I would like to express my deepest 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 take this opportunity to extend my gratitude to my fellow Directors, Management and Staff of the Group for their dedication and commitment shown in year 2004.

We shall now look forward to the challenges ahead and together reap the rewards of our achievements.

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 six members, two of whom are independent Non-Executive, one Non-Executive and three Executive Directors. The Board of Directors comprises Executive Directors with wide range of experiences in the paper packaging industry while the Non-Executive Directors are professionals with diverse knowledge and skills in the areas of accounting, legal, and general management. 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 5 to 7 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.

### **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 Group's 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 18 to 20), 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 six (6) times during the financial year ended 31 December 2004.

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

Name	<b>Attendance of Meetings</b>
1. Datuk Dr Ting Chung Cheng	6/6
2. Mr. Ang Kwee Teng	6/6
3. Mr. See Wan Seng	6/6
4. Tuan Haji Azhar bin Nayan	5/6
5. Mr. Siow Kee Yen	6/6
6. Puan Adillah binti Ahmad Nordin	6/6
7. Mr. Sai Chin Hock (resigned on 1.9.2004)	4/5

### **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. Nomination Committee
- 2. Remuneration Committee
- 3. Audit Committee

### **Nomination Committee**

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

### **Chairman:**

Mr. Siow Kee Yen - Independent Non-Executive Director

**Members:** 

Puan Adillah binti Ahmad Nordin - Independent Non-Executive Director

Tuan Haji Azhar bin Nayan - Non-Executive Director

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.

### **Remuneration Committee**

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

### **Chairman:**

Puan Adillah Binti Ahmad Nordin - Independent Non-Executive Director

### **Members:**

Mr. Siow Kee Yen - Independent Non-Executive Director

Datuk Dr Ting Chung Cheng - Managing Director

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 2004 with all members present.

### **Audit Committee**

The membership, terms of reference and activities of the Audit Committee are detailed in the report of the Audit Committee on pages 18 to 20 of the Annual Report.

### **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	644	10
Defined contribution plan	77	-
Fees	110	90
Benefit in kind	166	

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

	Number o	of Directors	
	Executive	Non-Executive	
D. I. DIATO 000		2	
Below RM50,000	-	3	
RM50,001 - RM100,000	2	-	
RM200,001 - RM250,000	1	-	
RM600,001 - RM650,000	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 reelection.

### **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 Directors also noted the guideline issued by Bursa Malaysia Securities Berhad on Continuing Education Programme. The company will arrange for further training of the Directors as part of their obligation to update and enhance their skill and knowledge which are important for their carrying out an effective role as Directors particularly on Corporate Governance and Best Practices set up in the Code.

### 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, clear 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 Managing Director'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 21 to 22 of the Annual Report.

### **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 18 to 20.

### **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 2004, non-audit fees paid to the external auditors amounted to RM143,684.

### **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.

### **Directors' 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.

In preparing these financial statements, the Directors have:-

- v adopted appropriate accounting policies and applied them consistently.
- v used reasonable and prudent judgements and estimates.
- $_{
  m V}$  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.

### (incorporated in Malaysia)

# **Audit Committee Report**

### **MEMBERSHIP**

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

No.	Name	<b>Designation</b>	<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	<b>Managing Director</b>

### **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.

### **AUTHORITY**

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.

# **Audit Committee Report**

### **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 four (4) meetings during the financial year ended 31 December 2004.

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

Directors	Attendance of Meetings
Mr. Siow Kee Yen	4/4
Puan Adillah binti Ahmad Nordin	4/4
Datuk Dr. Ting Chung Cheng	4/4

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

# **Audit Committee Report**

### **FUNCTIONS**

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

- 1. review the following and report the same to the Board of Directors of the Company:-
  - (a) the audit plan with the external auditor.
  - (b) with the external auditor its evaluation of the system of internal controls.
  - (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 of 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 and the Statement on Internal Control: Guidance for Directors of Public Listed Companies. 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 recognises that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity.

The Group's system of internal control is designed to manage the principal business risks that may impede the Group from achieving its business objectives. Notwithstanding, as with any internal control system, the Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. 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 Managing Director and his management team receive timely information pertaining to performance and profitability of the Group through monthly and weekly reports which include quantitative and qualitative trends and analyses through a fully computerised system.

The MD plays a pivotal role in communicating the Board's expectations of the system of internal control to management. This is achieved, on a day-to-day basis, through his active participation in the operations of the business as well as attendance at various scheduled management committee meetings. The management committee composed of Heads Of Departments meet regulary 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.

### Risk Management Framework

The Board recognises that effective risk management is part of good business management practice and had formalised an Enterprise Risk Management Framework which will allow the Group to identify, evaluate and manage risks within defined risk parameters that affect the achievement of the Group's business objectives.

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.

## **Statement On Internal Control**

### **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: -

- **V** Quality Policy that clearly outlines the Group's Direction.
- ∨ Clear organisation structure with developed reporting lines that are ISO compliant.
- V 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.
- **V** Employee Handbooks stating the required Code of Conduct.
- **V** 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 2004. The Group continues to take necessary measures to strengthen its internal control structure and manage the risks.

### **Assurance Mechanism**

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

During the year, the Group has established an independent internal audit function. The internal audit function 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 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 in striving for continuous improvement will put in place appropriate action plans, when necessary, to further enhance the Group's system of internal control.

# **Financial Statements**

**Directors' Report** 

24

**Statement By Directors** 

28

**Statutory Declaration** 

28

**Auditors' Report** 

29

**Income Statements** 

**30** 

**Balance Sheets** 

31

**Statements Of Changes In Equity** 

32

**Cash Flow Statements** 

33

**Notes To The Financial Statements** 

35

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 2004.

### **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 and trading of wrapping paper materials.

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

### **RESULTS**

	Group RM	Company RM
Net profit for the year 72	2,948	97,252

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.

### **DIVIDENDS**

The amount of dividends paid by the Company since 31 December 2003 were as follows:

RM

Final tax exempt dividend of 5% in respect of the financial year ended 31 December 2003, paid on 21 September 2004

3,100,000

The directors do not recommend any final dividend for the current financial year.

### **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

(resigned on 1 September 2004)

### **DIRECTORS' BENEFITS**

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 5 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as mentioned in Note 29 to the financial statements.

### **DIRECTORS' INTERESTS**

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

	Numbe	Number of Ordinary Shares of RM1 Each				
	1.1.2004	Acquired	Sold	31.12.2004		
Direct		_				
Datuk Dr. Ting Chung Cheng	8,368,649	-	_	8,368,649		
Tuan Haji Azhar bin Nayan	25,000	-	_	25,000		
Siow Kee Yen	5,000	-	-	5,000		
Adillah binti Ahmad Nordin	4,000	-	-	4,000		
Indirect						
Datuk Dr. Ting Chung Cheng	-	2,000,000	-	2,000,000		
Ang Kwee Teng	18,634,888	-	-	18,634,888		
See Wan Seng	18,634,888	-	-	18,634,888		

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

### SHARE CAPITAL

During the financial year, the Company increased its issued and fully paid up ordinary share capital from RM62,000,000 to RM75,250,601 by way of issuance of 13,250,601 ordinary shares of RM1 each at an issue price of RM1.45 per ordinary share as purchase consideration for the acquisition of 3 subsidiaries, namely, Tripack Packaging (M) Sdn. Bhd., Ornapaper Industry (Johor) Sdn. Bhd. and Ornapaper Industry (Perak) Sdn. Bhd.. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

### 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.
- (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.

### **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 April 2005** 



# **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 30 to 57 are drawn up in accordance with applicable MASB 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 2004 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 April 2005

# **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 30 to 57 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	)
above named DATUK DR. TING	)
CHUNG CHENG at Melaka in the State	)
of Melaka on 8 April 2005	)

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 30 to 57. These financial statements are the responsibility of the Company's directors.

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

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

### In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB 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 2004 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.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 11 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

ERNST & YOUNG AF: 0039 Chartered Accountants LEE AH TOO No. 2187/09/05(J) Partner

Melaka, Malaysia Date: 8 April 2005

# **Income Statements**

For The Year Ended 31 December 2004

		Group		Company	
	Note	2004	2003	2004	2003
		RM	RM	RM	RM
Revenue	3	135,839,693	122,828,847	718,175	3,559,050
Cost of sales		(115, 758, 242)	(98, 362, 898)	-	-
Gross profit		20,081,451	24,465,949	718,175	3,559,050
Other operating income		270,287	204,406		_
Administrative expenses		(5,361,457)	(3,828,227)	(227,042)	(193, 250)
Selling and marketing expenses		(7,788,255)	(6,400,979)	(11,680)	(12,868)
Other operating expenses		(3,634,555)	(3,212,335)	(239,567)	(90,462)
Profit from operations	4	3,567,471	11,228,814	239,886	3,262,470
Finance cost, net	6	(2,488,522)	(1,634,308)	(73,634)	-
Profit before taxation		1,078,949	9,594,506	166,252	3,262,470
Taxation	7	(727,643)	(1,529,200)	(69,000)	-
Profit after tax		351,306	8,065,306	97,252	3,262,470
Minority interests		371,642	-	_	-
Net profit for the year		722,948	8,065,306	97,252	3,262,470
Earnings per share (sen)	8	1.1	13.1		
Net dividend per ordinary share					
in respect of the year (sen)	9	-	5.0		



# **Balance Sheets**

As At 31 December 2004

		Group		Company		
	Note	2004 RM	2003 RM	2004 RM	2003 RM	
		KIVI	KIVI	<b>I</b>	KW	
NON-CURRENT ASSETS						
Property, plant and equipment	10	133,643,182	71,104,607	-	_	
Investment in subsidiaries	11	-	-	92,332,285	55,783,495	
Other investments	12	269,400	269,400	-	-	
Deferred tax assets	13	157,011		20,340	_	
		134,069,593	71,374,007	92,352,625	55,783,495	
CURRENT ASSETS						
Inventories	14	25,886,849	14,755,375	_	_	
Trade receivables	15	54,083,412	44,066,652	_	_	
Other receivables	16	4,500,625	4,181,742	26,515	14,721,725	
Tax recoverable		1,228,501	118,579	83,682	13,933	
Cash and bank balances	17	14,582,458	6,456,544	13,914	29,938	
		100,281,845	69,578,892	124,111	14,765,596	
<b>CURRENT LIABILITIES</b>						
Short term borrowings	18	66,205,473	39,072,962	-	_	
Trade payables	20	13,294,153	9,249,063	_	_	
Other payables	21	4,424,440	2,224,353	3,108,022	51,000	
Tax payable		206,368	-	-	-	
		84,130,434	50,546,378	3,108,022	51,000	
<b>NET CURRENT ASSETS/</b>						
(LIABILITIES)		16,151,411	19,032,514	(2,983,911)	14,714,596	
		150,221,004	90,406,521	89,368,714	70,498,091	
FINANCED BY:						
Share capital	22	75,250,601	62,000,000	75,250,601	62,000,000	
Share premium	23	11,155,900	5,193,130	11,155,900	5,193,130	
Foreign exchange reserve	24	3,891	-		<u>-</u>	
Retained profits	25	6,473,350	8,850,402	302,213	3,304,961	
Shareholders' equity		92,883,742	76,043,532	86,708,714	70,498,091	
Negative goodwill on consolidation	<b>26</b>	3,182,166	4,753,667	-	- /	
Minority interest		13,884,551		-	-/-	
		109,950,459	80,797,199	86,708,714	70,498,091	
Long-term borrowings	18	30,783,262	2,356,322	2,660,000	/ -	
Deferred tax liabilities	13	9,487,283	7,253,000	-		
Non-current liabilities		40,270,545	9,609,322	2,660,000		
		150,221,004	90,406,521	893,68,714	70,498,091	

# Statements Of Changes In Equity For The Year Ended 31 December 2004

Group	Share capital RM	Non- distributable Share premium RM	Non- distributable Foreign Exhange reserve RM	Distributable Retained profit RM	Total RM
At 1 January 2003	54,000,000	1,309,345	_	785,096	56,094,441
Issue of shares capital (Note 22)	8,000,000	4,800,000		703,030	12,800,000
Share issue expenses	-	(916,215)	_	_	(916,215)
Net profit for the year	_	(310,213)	_	8,065,306	8,065,306
At 31 December 2003	62,000,000	5,193,130	_	8,850,402	76,043,532
Issue of shares capital (Note 22)	13,250,601	5,962,770	_	-	19,213,371
Net profit for the year	-	-	_	722,948	722,948
Foreign exchange differences, representing net gain not recognised in income statement Dividends (Note 9)	-	-	3,891	(3,100,000)	3,891 (3,100,000)
At 31 December 2004	75,250,601	11,155,900	3,891	6,473,350	92,883,742
Company					
At 1 January 2003	54,000,000	1,309,345	_	42,491	55,351,836
Issue of share capital (Note 22)	8,000,000	4,800,000	_	_	12,800,000
Share issue expenses	_	(916, 215)	_	_	(916, 215)
Net profit for the year	-	- 1	_	3,262,470	3,262,470
At 31 December 2003	62,000,000	5,193,130	-	3,304,961	70,498,091
Issue of shares capital (Note 22)	13,250,601	5,962,770	-	-	19,213,371
Net profit for the year	-	-	-	97,252	97,252
Dividends (Note 9)	-	-	-	(3,100,000)	(3,100,000)
At 31 December 2004	75,250,601	11,155,900	-	302,213	86,708,714

# **Cash Flow Statements**

For The Year Ended 31 December 2004

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
CASH FLOWS FROM				
OPERATING ACTIVITIES				
Profit before taxation	1,078,949	9,594,506	166,252	3,262,470
Adjustments for :	, , , , , , , ,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		-, - ,
Depreciation	5,054,625	3,903,332	_	_
Gain on disposal of property, plant and				
equipment	(108,817)	(5,433)	_	-
Provision for doubtful debts	167,547	363,271	_	-
Gross dividend	(88)		(568, 175)	-
Interest expense	2,970,156	1,847,605	73,876	-
Interest income	(481,634)	(213, 297)	(242)	-
Operating profit/(loss) before working				
capital changes	8,680,738	15,489,984	(328, 289)	3,262,470
Decrease/(increase) in receivables	9,921,443	(13,934,435)	14,695,210	(14, 234, 749)
Increase in inventories	(5,982,738)	(1,891,895)	-	-
(Decrease)/increase in payables	(6,446,556)	3,129,908	3,057,022	(1,066,366)
Cash generated from/(used in) operations	6,172,887	2,793,562	17,423,943	(12,038,645)
Interest paid	(2,970,156)	(1,847,605)	(73,876)	-
Interest received	481,634	213,297	242	-
Taxation paid	(267,381)	(852,665)	-	-
Net cash from/(used in) operating activities	3,416,984	306,589	17,350,309	(12,038,645)



# **Cash Flow Statements**

For The Year Ended 31 December 2004

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
CASH FLOWS FROM				
INVESTING ACTIVITIES				
Proceeds from issuance of shares	_	12,800,000	_	12,800,000
Shares issue expenses	_	(916,215)	-	(916,215)
Net inflow/(outflow) from acquisition				
of subsidiaries (Note 11)	11,501,572	_	(17, 335, 419)	-
Net dividends received	88	_	409,086	-
Proceeds from disposal of property,				
plant and equipment	1,193,310	6,500	-	-
Purchase of property, plant and equipment	(42, 248, 012)	(4,769,263)	-	-
Net cash (used in)/from investing activities	(29,553,042)	7,121,022	(16,926,333)	11,883,785
CASH FLOWS FROM				
FINANCING ACTIVITIES				
Drawdown of term loans	23,205,274	_	2,660,000	_
Repayment of term loan	(87,245)	(342, 333)	-	-
Repayment of hire purchase	(1,389,016)	(8,004,388)	-	-
Short term borrowings	13,408,681	6,499,269	-	-
Dividens paid	(3,100,000)	-	(3,100,000)	-
Net cash from/(used in) financing activities	32,037,694	(1,847,452)	(440,000)	
CASH AND CASH			A	
EQUIVALENTS				
Increase/(decrease) during the year	5,901,636	5,580,159	(16,024)	(154,860)
Effect of exchange rate changes	3,891	-	_	-
At beginning of the year	6,456,544	876,385	29,938	184,798
At end of the year (Note 17)	12,362,071	6,456,544	13,914	29,938

## **Notes To The Financial Statements**

**31 December 2004** 

### 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 and trading of wrapping paper materials. 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 is listed on the Main Board of Bursa Malaysia Securities Berhad. The principal place of business is situated at No. 8998, Kawasan Perindustrian Peringkat IV, Batu Berendam, 75350 Melaka, Malaysia.

The numbers of employees in the Group and in the Company at the end of the financial year were 859 (2003: 450) and 1 (2003: 1) respectively. The accounting records of the Company are maintained by the employees of a subsidiary.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 April 2005.

### 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 MASB Approved Accounting Standards in Malaysia.

### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

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 financial 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 the subsidiaries are measured at their fair values at the date of acquisition. 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 together with any unamortised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

**31 December 2004** 

#### (c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l). Goodwill arising on the acquisition of subsidiaries is not amortised.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition . Negative goodwill arising on the acquisition of subsidiaries is not amortised.

#### (d) Investment in Subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses, if any. 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 recognised in the income statement.

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

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. 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
Plant and machinery, factory equipment
and electrical installation
Other assets

2%
5% - 20%
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 recognised in the income statement.

#### (f) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

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

Prior to 1 January 2004, the cost of inventories was determined on the first in, first out basis. The directors consider that the change to the weighted average method would result in a more practical approach in determining inventory values. The effect on the financial statements of this change is not material.

31 December 2004

#### (g) 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.

#### (h) Hire Purchase

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 recognised as an expense in 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).

#### (i) Income Tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised 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 recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

#### (j) Employee Benefits

#### (i) Short term benefits

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

**31 December 2004** 

#### (ii) Defined contributions plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

#### (k) Revenue Recognition

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

#### (i) Sale of goods

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

#### (ii) Dividend income

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

#### (iii) Management fee

Management fee is recognised on an accrual basis.

#### (I) 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.

#### (m) Foreign Currencies

#### (i) Foreign currency transactions

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

#### (ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are recognised in equity.

**31 December 2004** 

The exchange rates ruling at balance sheet date used in translation of financial statements of foreign consolidated subsidiaries used are as follows:

	2004 RM	2003 RM
Vietnam Dong 1000	0.24	_
New Taiwan Dollar	0.11	_

#### (n) Financial Instruments

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

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

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

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

#### (ii) Marketable Securities

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

31 December 2004

#### (vi) Equity Instruments

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

The transaction costs of an equity transaction, 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.

#### 3. REVENUE

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Sales of goods	135,839,693	122,828,847	-	-
Dividend income from subsidiary  Management fees from subsidiaries	-	-	568,175 150,000	3,409,050 150,000
8	135,839,693	122,828,847	718,175	3,559,050

#### 4. PROFIT FROM OPERATIONS

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

	Group		Company		
	2	004	2003	2004	2003
	F	RM	RM	RM	RM
Auditors' remuneration					
- statutory audit					
- current year	103,6	<b>621</b>	61,000	25,000	20,000
- overprovision in prior year		-	7,750	-	_
- other services	143,6	684	48,773	110,250	16,432
Doubtful debts	167,5	547	363,271	_	_
Depreciation	5,054,6	625	3,903,332	_	_
Directors' remuneration (Note 5)	1,127,9	969	980,324	176,300	154,600
Rental expense	401,6	616	214,318	_	_
Gain on disposal of property,					
plant and equipment	(108,6	<b>625</b> )	(5,433)	_	_
Rental income	(29,6	<b>600</b> )	/	_	_
Gross dividend		(88)	/-	(568, 175)	_
Staff costs					
- Salaries and wages	9,240,8	845	6,903,544	24,000	_
- Defined contribution plan	808,3		600,559	2,880	_
- Other related costs	<b>2</b> , <b>637</b> ,4		3,368,441		-

**31 December 2004** 

#### 5. DIRECTORS' REMUNERATION

	Gro	oup	Compa	Company	
	2004	2003	2004	2003	
	RM	RM	RM	RM	
Directors of the Company					
<b>Executive:</b>					
Salaries and other emoluments	643,625	557,150	52,000	38,500	
Defined contribution plan	76,800	65,784	4,800	3,600	
Fees	110,000	105,000	50,000	45,000	
Benefits-in-kind	166,019	38,062	-	-	
	996,444	765,996	106,800	87,100	
Non-Executive:					
Fees	90,000	90,000	60,000	60,000	
Other emoluments	9,500	7,500	9,500	7,500	
	99,500	97,500	69,500	67,500	
Other Directors					
Executive:					
Salaries and other emoluments	151,920	69,050	_	_	
<b>Defined contribution plan</b>	16,124	8,340	_	_	
Fees	30,000	77,500	_	_	
	198,044	154,890	-	-	
	1,293,988	1,018,386	176,300	154,600	
Analysis excluding benefits-in-kind					
Total executive directors' remuneration	1,028,469	882,824	106,800	87,100	
Total non-executive directors' remuneration	99,500	97,500	69,500	67,500	
Total directors' remuneration (Note 4)	1,127,969	980,324	176,300	154,600	
Total directors' remuneration (Note 4)				<u> </u>	

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

	2004	2003
Executive directors:		
Below RM50,000	-	1
RM50,001 - RM100,000	2	/1
RM150,001 - RM200,000	_	1 /
RM200,001 - RM250,000	1	/
RM450,001 - RM500,000	_	/ 1
RM600,001 - RM650,000	1	/_/_
Non-executive directors:		
Below RM50,000	3	3

31 December 2004

#### 6. FINANCE COST, NET

	Gro	Group		Company	
	2004	2003	2004	2003	
	RM	RM	RM	RM	
Interest expense	2,970,156	1,847,605	73,876	_	
Interest income	(481,634)	(213, 297)	(242)	-	
	2,488,522	1,634,308	73,634	-	

#### 7. TAXATION

	Gro	up	Compa	ny
	2004	2003	2004	2003
	RM	RM	RM	RM
Income tax:				
Malaysian income tax	33,488	747,200	89,340	-
Deferred tax (Note 13):				
Relating to origination and reversal of				
temporary differences	784,078	782,000	(20, 340)	_
Overprovision in prior years	(89,923)			-
	694,155	782,000	(20, 340)	-
	727,643	1,529,200	69,000	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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 of the Group and of the Company is as follows:

	Gr	oup	Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Profit before taxation	1,078,949	9,594,506	166,252	3,262,470
<b>Taxation at 28% (2003 : 28%)</b>	302,105	2,686,510	46,550	913,490
Effect of different tax rate in other countries	143,084	/-/	_	-
Effect of expenses not deductible for tax purposes	434,242	276,890	42,790	34,010
Effect of utilisation of previously				
unrecognised reinvestment allowances	(67,893)	(755,090)	-	-
Effect of utilisation of current year's			,	
reinvestment allowances	-	(686, 140)	/-	-
Effect of income not subject to tax	(6,589)	_	// -	(954, 530)
Deferred tax asset recognised on				
unutilised losses	(20,340)	_	(20,340)	_
Deferred tax asset not recognised on				
unutilised losses	32,957	7,030		7,030
Overprovision of deferred tax in prior years	(89,923)	<u>-</u>	-	_
Tax expense for the year	727,643	1,529,200	69,000	-
• • • • • • • • • • • • • • • • • • • •				

**31 December 2004** 

#### 8. EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the net profit for the year of RM722,948 (2003: RM8,065,306) by the weighted average number of 66,416,867 (2003: 61,333,333) ordinary shares in issue during the financial year.

#### 9. DIVIDENDS

Net Dividend					
	Per Ordin				
	2004	2003			
	RM	RM	RM	RM	
In respect of year ended 31 December 2003 :					
Final tax exempt dividend of 5% on					
62,000,000 ordinary shares		5.0		3,100,000	

#### 10. PROPERTY, PLANT AND EQUIPMENT

	Long term	Short term				
	leasehold	leasehold	<b>Factory</b>	Plant and	Other	
	land	land	buildings	machinery	assets	Total
	RM	RM	RM	RM	RM	RM
Group						
Cost						
At 1 January 2004	8,959,470	927,765	15,154,840	59,325,556	10,739,656	95,107,287
Additions	-	-	7,495,098	34,159,174	6,066,140	47,720,412
Disposals	_	_	-	(1,653,763)	(365,730)	(2,019,493)
Reclassification	-	_	5,688,333	(543,863)	(5,144,470)	_
Acquisition of subsidiaries	2,170,000	3,084,444	9,556,435	17,542,985	4,377,890	36,731,754
At 31 December 2004	11,129,470	4,012,209	37,894,706	108,830,089	15,673,486	177,539,960
<b>Accumulated Depreciation</b>						
At 1 January 2004	468,821	109,565	1,997,009	17,637,591	3,789,694	24,002,680
Charge for the year	103,693	37,049	543,438	3,648,412	722,033	5,054,625
Disposals	_	\ \ -	_	(604, 492)	(330,508)	(935,000)
Reclassification	_	\ \	_	(348, 434)	348,434	
Acquisition of subsidiaries	120,716	155,570	1,989,336	11,514,240	1,994,611	15,774,473
At 31 December 2004	693,230	302,184	4,529,783	31,847,317	6,524,264	43,896,778
•	,		\	, ,		
Net Book Value						
At 31 December 2004	10,436,240	3,710,025	33,364,923	76,982,772	9,149,222	133,643,182
At 31 December 2003	8,490,649	818,200	13,157,831	41,687,965	6,949,962	71,104,607
D-4-94 1 I 9000						
Details as at 1 January 2003	0.470.400	007 705	45454040	TT 740 740	0.000 570	00 040 004
Cost	8,173,133	927,765	15,154,840	55,518,713	6,838,573	86,613,024
Accumulated depreciation	393,052	93,078	1,704,418	14,618,819	3,290,914	20,100,281
Depreciation charge for 2003	75,769	16,487	292,591	3,019,705	498,780	3,903,332
- 1- common com 8c 101 2000	10,100	10,707	ωυω, UU1	3,013,703	100,700	J, JUJ, JJL

**31 December 2004** 

- (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 RM5,122,921 (2003: RM5,788,333).
- (b) Net book value of property, plant and equipment pledged to financial institutions for bank borrowings as referred to Note 18 are as follow:

	Group	
	2004	2003
	RM	RM
Long term leasehold land	10,436,240	8,490,649
Short term leasehold land	3,710,025	818,200
Factory buildings	33,364,923	13,157,831
Plant and machinery	75,680,789	41,453,520
Others	7,589,073	6,667,372
	130,781,050	70,587,572

- (c) The cost of property, plant and equipment purchased during the financial year of RM47,720,412 (2003: RM8,496,263) includes an amount of RM5,472,400 (2003: RM3,727,000) which was financed under hire purchase arrangements.
- (d) Net book value of property, plant and equipment held under hire purchase agreements are as follow:

			Gr	oup
			2004	2003
			RM	RM
Plant and machinery			10,832,449	12,923,174
Motor vehicles			938,361	368,228
Factory equipment			-	136,587
		_	11,770,810	13,427,989
		1		
11. INVESTMENT IN SUBSIDIARIE	ES			
	A		Com	pany
			2004	2003
			RM	RM

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of	<b>Equity Interest Held (%)</b>	Principal Activities
	Incorporation	2004 2003	_ /
Subsidiaries of the Company			
Ornapaper Industry (M) Sdn. Bhd.	Malaysia	100 100	Manufacturing of corrugated boards and carton boxes
Ornapaper Industry (Batu Pahat) Sdn. Bhd.	Malaysia	100 100	<b>Manufacturing of carton boxes</b>
Ornapaper Industry (Perak) Sdn. Bhd.	Malaysia	100 -	Manufacturing of corrugated boards and carton boxes

**31 December 2004** 

Name of Subsidiaries	Country of Incorporation	Equity Interest 2004	Held (%) 2003	Principal Activities
Ornapaper Industry (Johor) Sdn. Bhd.*	Malaysia	80	-	Manufacturing of carton boxes
Tripack Packaging (M) Sdn. Bhd. *	Malaysia	100	-	Manufacturing of carton boxes
Ornapaper Vietnam Co. Ltd.*	Vietnam	55	-	Manufacturing of corrugated boards and carton boxes
Subsidiaries of Ornapaper Industry (M) Sdn. Bhd.				
Hello Paper Co Ltd.*	Republic of China	52	-	Trading of wrapping paper materials

<sup>\*</sup> Not audited by Ernst & Young

#### (a) Acquisition of subsidiaries:

During the year, the Group acquired the following subsidiaries :

Name of Subsidiaries	Effective date of combination	Negative goodwill/ (goodwill) arising RM	Purchase consideration RM	Mode of settlement
Ornapaper Vietnam Co. Ltd.	4 August 2004	-	16,746,853	Cash
Ornapaper Industry (Perak) Sdn. Bhd.	1 September 2004	1,573,698	15,598,952	Issuance of 10,757,898 ordinary shares at RM1.45 per share
Tripack Packaging (M) Sdn. Bhd.	1 September 2004	(61,523)	2,492,401	Issuance of 1,718,897 ordinary shares at RM1.45 per share
Ornapaper Industry (Johor) Sdn. Bhd.	1 September 2004	59,326	1,112,018	Issuance of 773,806 ordinary shares at RM1.45 per share
Hello Paper Co Ltd.	8 November 2004	1,571,501	309,075 36,269,299	Cash

31 December 2004

(b) The acquisitions had the following effect on the Group's financial results for the year:

	2004 RM
Revenue Loss from operations Net loss for the year	22,273,215 (348,820) (800,109)

(c) The acquisitions had the following effect on the financial position of the Group as at the end of the year:

	2004 RM
Property, plant and equipment	60,450,972
Goodwill on consolidation	1,571,501
Inventories Trade and other receivables	12,793,289 24,327,764
Tax recoverable	571,014
Cash and bank balances Borrowings	4,680,646 (32,186,811)
Trade and other payables	(20,560,204)
Deferred tax liabilities Minority interests	(1,330,331) (13,884,020)
Group's share of net assets	$\frac{(13,334,020)}{36,433,820}$

(d) The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:

	RM
Property, plant and equipment (Note 10)	20,957,281
Inventories	5,148,736
Trade and other receivables	20.424.633
Cash and bank balances	29,146,066
Tax recoverable	669,661
Borrowings	(12,728,970)
Trade and other payables	(12,691,733)
Deferred tax liabilities (Note 13)	(1,383,117)
Fair value of total net assets	49,542,557
Less: Minority interests	_ (14,256,193)_
Group's share of net assets	35,286,364
Goodwill on consolidation (Note 26)	1,571,501
Cost of acquisition	36,857,865
Satisfied by:	
Cash	17,055,928
Ordinary shares issued at fair value (Note 22)	<u>19,213,371</u>
Total purchase consideration	36,269,299
Costs attributable to the acquisition, paid in cash	588,566
Total cost of acquisition	36,857,865
Coch inflow origins on conviction.	
Cash inflow arising on acquisition: Purchase consideration satisfied by cash	
Costs attributable to the acquisition, paid in cash	17, 077, 000
Total cash outflow of the Group	17,055,928
Cash and cash equivalents of subsidiaries acquired	<u>588,566</u>
Net cash inflow of the Group	17,644,494
ivet cash limiow of the Group	$\frac{(29,146,066)}{(11,501,572)}$
There were no acquisitions in the financial year ended 31	
There were no acquisitions in the infancial year effice of	Determine word.

**31 December 2004** 

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**Deferred tax liabilities** 

	Group		
	2004		
	RM	RM	
At cost:			
Quoted shares	19,400	19,400	
Unquoted shares	225,000	225,000	
Club membership	25,000	25,000	
	269,400	269,400	
Market value of quoted shares	19,590	23,360	

#### 13. DEFERRED TAX ASSETS/LIABILITIES

	Gro	up	Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
At 1 January	7,253,000	6,471,000	_	_
Acquisition of subsidiaries	1,383,117	-	-	_
Recognised in income statement (Note 7)	694,155	782,000	(20,340)	_
At 31 December	9,330,272	7,253,000	(20, 340)	-
Presented after appropriate offsetting as follows:				
Deferred tax assets	(157,011)	-	(20,340)	_

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

9,487,283

9,330,272

7,253,000

7,253,000

(20, 340)

Group	As at	Acquisition of	Recognised in income	As at
2004	1 January	subsidiaries	statement	31 December
Property, plant and equipment	7,540,000	1,526,722	686,718	9,753,440
Trade receivables	(287,000)	-	287,000	- /
Unutilised tax loses	-	-	(175, 384)	(175, 384)
Unabsorbed capital allowances	-	(143,605)	(104, 179)	(247,784)
	7,253,000	1,383,117	694,155	9,330,272
2003				
Property, plant and equipment	6,673,900	_	866,100	7,540,000
Trade receivables	(202,900)	_	(84, 100)	(287,000)
Unutilised tax losses Unabsorbed capital allowances	(202,000)	1	-	-
	6,471,000	-	782,000	7,253,000

31 December 2004

Company	Recognised	
2004	in income statement	As at 31 December
Unutilised tax losses	(20, 340)	(20, 340)
2003	(20,340)	(20,340)
Unutilised tax losses	-	-
	-	-
Deferred tax assets have not been recognised in respect of the following items:		
		roup
	2004	2003
	RM	RM
Unutilised tax losses	787,935	

The unutilised losses is available indefinitely for offset against future taxable profits of the respective subsidiaries.

#### 14. INVENTORIES

	Gr	Group		
	2004	2003		
	RM	RM		
At cost:				
Raw materials and consumables	24,199,377	13,982,067		
Finished goods	1,687,472	773,308		
	25,886,849	14,755,375		
15. TRADE RECEIVABLES				
	Gr	oup		
	2004	2003		
	RM	RM		
Trade receivables	56,060,346	46,330,403		
Less: Provision for doubtful debts	(2,455,020)	(2,263,751)		
	53,605,326	44,066,652		
Related parties	478,086			
	54,083,412	44,066,652		

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

The Group's normal credit term ranges from 30 to 120 days. Other credit terms are assessed and approved on a case-by-case basis. Overdue interest of 0.75% to 1.50% (2003: 1.00% to 1.50%) per month is charged on the amount due from certain debtors exceeding credit terms.

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 two debtors which represents 26% (2003: 31%) of the total gross debts. These said debtors have strategic alliances with the Group.

**31 December 2004** 

#### 16. OTHER RECEIVABLES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
<b>Deposits and prepayments</b>	1,291,618	668,981	15,682	65,682
Other receivables	3,209,007	3,512,761	-	-
<b>Due from subsidiaries</b>	-	-	10,833	14,656,043
	4,500,625	4,181,742	26,515	14,721,725

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

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

#### 17. CASH AND CASH EQUIVALENTS

·	Group		Company	
	2004	2003 2004	2004	2003
	RM	RM	RM	RM
Cash on hand and at banks	14,542,582	6,431,410	13,914	29,938
Deposit with a licensed bank	39,876	25,134	-	-
Cash and bank balances	14,582,458	6,456,544	13,914	29,938
Less: Bank overdrafts (Note 18)	(2,220,387)	-	-	-
	12,362,071	6,456,544	13,914	29,938

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

The weighted average effective interest rate at the balance sheet date and the average maturity of deposit as at the end of the financial year were as follows:

end of the infancial year were as follows.	Weighted A Interest 1	•	Average Ma Days	<b>turit</b> y
	2004	2003	2004	2003
Deposit with a licensed bank	4%	4%	365	365

#### **18. BORROWINGS**

	aroup		Compa	<b>-</b> y
	2004	2003	2004	2003
	RM	RM	RM	RM
Short Term Borrowings				
Secured:				
Bank overdrafts (Note 17)	2,220,387	-	-	/-/-
Bankers' acceptances	48,548,399	38,361,605	-	/ / -
Trust receipts	6,372,890	/- /	_	
Term loans	6,611,399	-/	_	
Hire purchase payables (Note 19)	2,452,398	711,357	_ / _ /	_
	66,205,473	39,072,962	<del>-</del> //	-
			<del></del>	

31 December 2004

	Group		Company	
	2004	2003	2004	2003
Long Term Borrowings	RM	RM	RM	RM
Secured:				
Term loans	23,885,317	-	2,660,000	-
Hire purchase payables (Note 19)	6,897,945	2,356,322	-	-
	30,783,262	2,356,322	2,660,000	-
Total Borrowings				
Bank overdrafts	2,220,387	-	_	_
Bankers' acceptances	48,548,399	38,361,605	_	_
Trust receipts	6,372,890	-	-	_
Term loans	30,496,716	-	2,660,000	_
Hire purchase payables	9,350,343	3,067,679	-	-
	96,988,735	41,429,284	2,660,000	-
Maturity of borrowings (excluding hire purchase):				
Within one year	63,753,075	38,361,605	-	-
More than one year and not later than 2 years	6,181,299	-	1,330,000	-
More than 2 years and not later than 5 years	6,278,744	-	1,330,000	-
Later than 5 years	11,425,274	-	-	-
	87,638,392	38,361,605	2,660,000	-

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

	Group		Compan	<b>y</b>
	2004	2003	2004	2003
	%	%	%	%
Bank overdrafts	7.25	7.00	-	_
Bankers' acceptances	3.18	3.56	-	_
Trust receipts	7.25	-/	-	-
Term loans	4.21		4.87	-

The borrowings are secured by certain assets of the Group and a debenture covering fixed and floating charges over all the assets of a subsidiary as disclosed in Note 10 and additionally guaranteed by a director of a subsidiary and certain directors of the Company. The borrowing of the Company is additionally guaranteed by a subsidiary.

**31 December 2004** 

#### 19. HIRE PURCHASE PAYABLES

	Group		
	2004	2003	
	RM	RM	
Minimum hire purchase payments :			
Within one year	3,172,006	985,470	
Later than one year and not later than 2 years	3,047,772	819,048	
Later than 2 years and not later than 5 years	4,747,152	1,948,301	
	10,966,930	3,752,819	
Less : Future finance charges	(1,616,587)	(685, 140)	
	9,350,343	3,067,679	
Present value of hire purchase liabilities:			
Within one year	2,452,398	711,357	
Later than one year and not later than 2 years	2,566,294	549,614	
Later than 2 years and not later than 5 years	4,331,651	1,806,708	
	9,350,343	3,067,679	
Analysed as :			
Due within 12 months (Note 18)	2,452,398	711,357	
Due after 12 months (Note 18)	6,897,945	2,356,322	
	9,350,343	3,067,679	

The hire purchase liabilities bore interest at the balance sheet date of between 3.30% to 5.50% (2003:4.75% to 7.25%) per annum.

#### 20. TRADE PAYABLES

The credit terms granted to the Group range from 30 to 120 days.

#### 21. OTHER PAYABLES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Due to a subsidiary Supplier of property, plant and equipment	687,600	-	3,057,022	-
Other payables and accruals	3,736,840	2,224,353	51,000	51,000
	4,424,440	2,224,353	3,108,022	51,000

The amount due to a subsidiary is unsecured, bore interest of 1.2% (2003:Nil) per annum and has no fixed terms of repayment.

31 December 2004

#### 22. SHARE CAPITAL

	Number o	f Ordinary		
	Shares of	RM1 Each	Amount	
	2004	2003	2004 RM	2003 RM
Authorised				
At 1 January/31 December	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
At 1 January	62,000,000	54,000,000	62,000,000	54,000,000
Issued during the year:				
Pursuant to public listing	_	8,000,000	_	8,000,000
Acquisition of subsidiaries	13,250,601	_	13,250,601	_
At 31 December	75,250,601	62,000,000	75,250,601	62,000,000

During the financial year, the Company issued 13,250,601 new ordinary shares of RM1 each at an issue price of RM1.45 per ordinary share amounting to RM19,213,371 as purchase consideration for the acquisition of 3 subsidiaries, namely, Ornapaper Industry (Perak) Sdn. Bhd., Tripack Packaging (M) Sdn. Bhd. and Ornapaper Industry (Johor) Sdn. Bhd. [Note 11(a)]. The new ordinary shares rank pari passu in all respects with the existing ordinary shares.

#### 23. SHARE PREMIUM

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

#### 24. FOREIGN EXCHANGE RESERVE

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

#### 25. RETAINED PROFITS

As at 31 December 2004, the Company has tax exempt profits available for distribution of approximately RM309,000 (2003: RM3,409,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2004.

#### 26. NEGATIVE GOODWILL ON CONSOLIDATION

		<b>Negative</b>		
		Googwill	Googwill	Total
Group		RM	RM	RM
At 1 January 2003		4,753,667		4,753,667
At 31 December 2003		4,753,667		4,753,667
Acquisition of subsidiaries (Note	11)	61,523	(1,633,024)	(1,571,501)
At 31 December 2004		4,815,190	(1,633,024)	3,182,166

**31 December 2004** 

	/ ITT	

	Group		
	2004	2003	
(a) Capital Commitments	RM	RM	
Capital expenditure approved and contracted for: Property, plant and equipment	2,578,000	1,044,000	
(b) Non-Cancellable Operating Lease Commitments			
Future minimum rentals payable: Later than 5 years	784,000	<u>-</u>	

Operating lease payments represents rentals payable by a subsidiary for use of land. The subsidiary is exempted from land rental during the pre-operating period and for the following 7 years after it commences operation.

#### 28. CONTINGENT LIABILITIES

	Comp	any
	2004	2003
	RM	RM
Unsecured corporate guarantees given to bank for		
credit facilities granted to subsidiaries	54,070,000	2,906,000
29. SIGNIFICANT RELATED PARTY TRANSACTIONS		
	Gro	III
	2004	2003
	RM	RM
Sales to Perfect Food Manufacturing (M) Sdn. Bhd., a company in which Sai Chin Hock,		20112
a former director of the Company, has indirect interest	1,805,080	845,278
Sales to Poh Huat Furniture Industries (M) Sdn. Bhd.,	,	
a company in which Tay Kim Huat,		
a director of a subsidiary, has indirect interest	867,649	- /
Sales to Poh Huat Woodwork (M) Sdn. Bhd.,		
a company in which Tay Kim Huat,		
a director of a subsidiary, has indirect interest	64,263	/-

Significant transactions with subsidiaries have not been disclosed as the Company's financial statements are made available with the consolidated financial statements.

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.

**31 December 2004** 

#### 30. FINANCIAL INSTRUMENTS

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

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

#### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Company had no substantial long-term interest-bearing assets as at 31 December 2004.

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

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

#### (c) Foreign Exchange Risk

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

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

		Financial Assets	(Liabilities)
		2004	2003
		RM	RM
Trade receivables		96,910	116
Trade payables		(4,018,535)	-
Other payables		(140,359)	(34, 565)
Term loan		(29,544,001)	_
		(33,605,985)	(34,449)

#### (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.

**31 December 2004** 

#### (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 Note 15.

#### (f) Fair Values

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

#### 31. SEGMENT INFORMATION

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

The Group operates in two principal geographical areas in the Asia-Pacific region commencing from financial year ended 31 December 2004 and is principally involved in manufacturing of corrugated board and carton boxes.

	Malaysia RM	Vietnam RM	Others RM	Group RM
Revenue				
External sales	135,838,486		1,207	135,839,693
Results				
Profit/(loss) from operations	4,225,431	(646, 545)	(11,415)	3,567,471
Interest income	473,989	7,645		481,634
Interest expense	(2,821,121)	(149,035)	-	(2,970,156)
Profit/(loss) before taxation	1,878,299	(787,935)	(11,415)	1,078,949
Taxation	(727,643)	_		(727,643)
Net profit/(loss) for the year	1,150,656	(787,935)	(11,415)	351,306
Minority interests	11,635	354,571	5,436	371,642
v	1,162,291	(433,364)	(5,979)	722,948
Assets/Liabilities			<u> </u>	
Segment Assets	180,758,272	52,950,230	642,936	234,351,438
<b>Segment Liabilities</b>	101,050,210	23,286,306	64,463	124,400,979
Other information				
Capital expenditure	7,514,574	40,147,188	58,650	47,720,412
<b>Depreciation</b>	5,028,649	24,888	1,088	5,054,625
Other non-cash expenses	167,547	-	-	167,547

#### (b) Secondary reporting segment - Business segments

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

# **List Of Landed Properties**

Registered Owner	Title / Location	Land Area (Square Metres)	Tenure From / To	Existing Use	Approximate Age of Building (Years)	Date of Acquisition	Net Book Value As at 31/12/2004 (RM'000)
OISB(M)	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		16-Jan-96	
OISB(M)	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	&	4-Mar-02	24,985
OISB(M)	Lot PT 6127, Kawasan Perindustrian Batu Berendam IV, Melaka	6,822		Industrial		1-Aug-03	
	Factory No.: 8998 Kawasan Perindustrian Batu Berendam (Phase IV) (Taman Perindustrian Batu Berendam), Batu Berendam, Melaka						
OISB(BP)	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	٢	27-Oct-97	3,776
	Factory No. PLO 271, Jalan Wawasan 5, Kawasan Perindustrian Sri Gading, 83009 Batu Pahat, Johor Darul Takzim						
OISB(PERAK)	H. S. (D) 10127, H. S. (D) 10131 to H. S. (D) 10135 Lot PT80050, PT 80054 to PT 80058 Mukim of Hulu Kinta, District of Kinta, State of Perak	42,808	Leasehold 60 Years Expiring on 02/01/2051	Industrial	14	25-May-90	6,895
	Factory No. Plot 9, Persiaran Perindustrian Kanthan 2, Kanthan Industrial Estate, 31200 Chemor, Perak Darul Ridzuan.						
TPSB	H. S. (M) 1/76 Lot PT 67 Mukim of Bukit Katil, District of Melaka Tengah, State of Melaka	10,604	Leasehold 99 Years Expiring on 07/04/2075	Industrial	25	19-Jun-00	5,067
	Factory No. 125, Ayer Keroh Industrial Estate, Ayer Keroh, 75450 Melaka.						
OISB(JOHOR)	H. S. (D) 235151 Lot P. T. D 113285 Mukim of Plentong, District of Johor Bahru, State of Johor.	708	Freehold	Industrial	11	14-Mar-02	437
	Factory No. 33, Jalan Cenderai 6, Taman Perindustrian Kota Puteri, 81750 Masai, Johor.						
00	Factory No. Binh Son Village, Long Thanh District, Dong Nai Province, Vietnam.	109,476	Leasehold 50 Years Expiring on 03/10/2053	Industrial (under construction)	1	03-Oct-03	6,351
Notes:- OISB(M) OISB(BP)	Ornapaper Industry (M) Sdn. Bhd. Ornapaper Industry (Batu Pahat) Sdn. Bhd.	OISB(PERAK) TPSB	Ornapaper Industry (Perak) Sdn. Bhd. Tripack Packaging (M) Sdn. Bhd.	in. Bhd. ihd.	OISB(JOHOR) OV		Ornapaper Industry (Johor) Sdn. Bhd. Ornapaper Vietnam Co., Ltd.

# **Shareholding Statistic**

As At 9 May 2005

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 to 99	3	0.14	148	0.00
100 to 1,000	563	26.14	542,800	0.72
1,001 to 10,000	1,285	<b>59.66</b>	5,601,700	7.44
10,001 to 100,000	269	12.49	7,871,865	10.46
100,001 to 3,762,529	30	1.39	14,588,961	19.39
3,762,530 and above	4	0.18	46,645,127	61.99
Total	2,154	100.00	75,250,601	100.00

#### SUBSTANTIAL SHAREHOLDERS

	Direct		Indirect	
Name	No. of Shares	<b>%</b>	No. of Shares	%
Intisari Delima Sdn Bhd	18,634,888	24.76	-	_
Lembaga Tabung Haji	14,268,545	18.96	-	_
Datuk Dr. Ting Chung Cheng	8,368,649	11.12	^ 2,000,000	2.66
Mr. Lim Tau Lih	5,373,045	7.14	-	_
Mr. Ang Kwee Teng	-	_	* 18,634,888	24.76
Mr. See Wan Seng	-	_	* 18,634,888	24.76
Mr. Sai Chin Hock	-	_	# 19,094,212	25.37

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

	Direct		Λ	Indirect	
Name	No. of Shares	<b>%</b>	No. of Sl	ares	<b>%</b>
Datuk Dr. Ting Chung Cheng	8,368,649	11.12	^ 2,000	),000	2.66
Tuan Haji Azhar bin Nayan	25,000	0.03		-	/-
Mr. Siow Kee Yen	5,000	0.01		-	/ -
Puan Adillah binti Ahmad Nordin	4,000	0.01		-	/ - /
Mr. Ang Kwee Teng	7	_	* 18,634	1,888	24.76
Mr. See Wan Seng	-\\	-	* 18,634	1,888	24.76

#### **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 Sistematik Sdn Bhd and by virtue of his substantial shareholdings in Intisari Delima Sdn Bhd.
- Deemed interest through his spouse, Datin Ting Hsu Po Hsiang.

# **Shareholding Statistic**

As At 9 May 2005

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

	Name	No. of Shares	%
1.	INTISARI DELIMA SDN BHD	18,634,888	24.76
2.	LEMBAGA TABUNG HAJI	14,268,545	18.96
3.	TING CHUNG CHENG	8,368,649	11.12
4.	LIM TAU LIH	5,373,045	7.14
<b>5.</b>	HSU, FANG-SZU	2,866,915	3.81
6.	YONG WEI CHUNG	2,163,091	2.87
7.	TING HSU PO HSIANG	2,000,000	2.66
8.	YANG, WEI-CHEN	990,489	1.32
9.	YONG WEI CHUNG	955,300	1.27
10.	CHIEW TEO ANN	504,100	0.67
11.	CITICORP NOMINEES (ASING) SDN BHD	474,400	0.63
	MLPFS FOR IVAN INTERNATIONAL LTD		
12.	PILIHAN SISTEMATIK SDN. BHD.	459,324	0.61
13.	TAN CHIN HWEE	435,586	0.58
14.	JF APEX NOMINEES (TEMPATAN) SDN BHD	410,100	0.54
	PLEDGED SECURITIES ACCOUNT FOR HON MENG HENG (MARGIN)		
<b>15.</b>	HSU,FANG-SZU	400,000	0.53
16.	ANG SIEW YING	233,656	0.31
17.	HUANG, CHIEN-YI	200,000	0.27
18.	TEH CHENG HO	200,000	0.27
19.	MAH CHET HONG	196,000	0.26
<b>20</b> .	CHUAH AH TECHIK	180,000	0.24
21.	JOLLY WOOD SDN. BHD.	180,000	0.24
22.	PUBLIC NOMINEES (TEMPATAN) SDN BHD	158,000	0.21
	PLEDGED SECURITIES ACCOUNT FOR LAU SIE KWONG (E-BTR)		
23.	NG RHO SHII	154,000	0.20
24.	BILLY WOOD INDUSTRIAL SDN BHD	150,000	0.20
<b>25.</b>	CHENG HO SHU HUEI	150,000	0.20
<b>26</b> .	RIGHT WAY INDUSTRIAL (MALAYSIA) SDN BHD	150,000	0.20
27.	CHEONG AH YOON	139,200	0.18
28.	NG SIEW KHENG	137,900	0.18
<b>29</b> .	TAN KAR PIN	128,500	0.17
<b>30.</b>	LIN TANG-MING	125,000	0.17
		60,786,688	80.78

### **PROXY FORM**

	No. of Sha	res held	
I/We			
	ull adresss)		
bein	g a Member/Members of ORNAPAPER BERHAD, hereby appoint		
or fa	of iling him, of		
or fa	illing him the Chairman of the Meeting as my/ our proxy to vote for me/ us and on ual General Meeting of the Company, to be held at Bunga Teratai, 7th Floor, Rena dahara, 75100 Melaka on Thursday, 30 June 2005 at 10.30 a.m. and at any adjournment	my/ our bel issance Mel	
	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2004 together with the Directors' Report and the Auditors' Report thereon.		
2.	To approve the payment of Directors' Fees for the financial year ended 31 December 2004.		
3.	To re-elect Mr. See Wan Seng who retires in accordance with Article 92 of the Company's Articles of Association.		
4.	To re-elect Mr. Siow Kee Yen who retires in accordance with Article 92 of the Company's Articles of Association.		
5.	To re-appoint Messrs Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration.		
6.	Ordinary Resolution as regards to Section 132D of the Companies Act. 1965.		
will	ase indicate with <b>P</b> how you wish your vote to be cast. If no specific direction as vote as he thinks fit or abstain from voting at his discretion).  witness my/ our hand(s) this day of, 2005.	to voting is	given, the proxy
Sign	ature		

#### 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 Lot 1A, 6th Floor, Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra, Batu Berendam, 75350 Melaka not less than forty-eight (48) hours before the time fixed for holding the meeting or at any adjournment thereof.

Then flan here		
Then flap here		
Then flap here		
Then flap here		AFFIX
Then flap here		AFFIX STAMP HERE
Then flap here		STAMP
Then flap here	THE COMPANY SECRETARY	STAMP
Then flap here	THE COMPANY SECRETARY  Lot 1A, 6th Floor, Menara Pertam, Jalan BBP	STAMP HERE
Then flap here	Lot 1A, 6th Floor, Menara Pertam, Jalan BBP	STAMP HERE
Then flap here		STAMP HERE

1st flap here