Ornapaper BERHAD

(573695-W)

ANNUAL REPORT **2012**

Contents

Notice Of The Eleventh Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of the Company will be held at Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka on Friday, 28 June 2013 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Explanatory Note 2(i))**
2. To approve the payment of Directors' fees for the financial year ended 31 December 2012. (Resolution 1)
3. To re-elect the following Directors who are retiring in accordance to Article 92 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Sai Chin Hock (Resolution 2)
   (b) See Wan Seng (Resolution 3)

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 4)
5. **As Special Business**

   To consider and, if thought fit, with or without any modification, to pass the following resolutions as Ordinary Resolutions:

   Ordinary Resolution 1
   - Authority to issue Shares

   THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/ regulatory authorities, if applicable, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company. (Resolution 5)

Notice Of The Eleventh Annual General Meeting

Ordinary Resolution 2
- **Retention of Independent Non-Executive Director**

THAT Mr. Siow Kee Yen be and is hereby retained as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next Annual General Meeting pursuant to the Malaysian Code on Corporate Governance 2012. (Resolution 6)

Ordinary Resolution 3
- **Retention of Independent Non-Executive Director**

THAT Puan Adillah binti Ahmad Nordin be and is hereby retained as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next Annual General Meeting pursuant to the Malaysian Code on Corporate Governance 2012. (Resolution 7)

Ordinary Resolution 4
- **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")**

THAT, subject to the provisions of Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/ or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature as set out in Part A Section 2.3 of the Circular to Shareholders dated 6 June 2013, provided that such transactions are undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders; (Resolution 8)

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

(i) the conclusion of the next Annual General Meeting (AGM) of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the next AGM;
(ii) the expiration of the period within which the next AGM is to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(iii) revoked or varied by resolution passed by the shareholders in a general meeting, before the next AGM;

whichever is earlier;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate.

Notice Of The Eleventh Annual General Meeting

Ordinary Resolution 5
- **Proposed Renewal of Authority for the Company to Purchase its Own Share ("Proposed Renewal of Share Buy-Back Authority")**

THAT, subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and all other applicable laws, guidelines, rules and regulations, if applicable, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company, provided that: (Resolution 9)

(i) the aggregate number of shares purchased does not exceed 10% of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) an amount not exceeding the Company's audited retained profit and/ or share premium account for the financial year ended 31 December 2012 at the time of the purchase(s) will be allocated by the Company for the purchase of own shares; and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends;

AND THAT the authority conferred by this resolution shall commence immediately and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution, unless earlier revoked or varied by an Ordinary Resolution of the shareholders of the Company in a general meeting;

AND THAT authority be and is hereby given to the Directors of the Company to act and take all such steps and do all things as are necessary or expedient to implement, finalise and give full effect to the aforesaid purchase.

6. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965 and the Articles of Association of the Company.

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
SEAN NE TEO (LS 0008058)
Company Secretaries

Melaka
6 June 2013

Notice Of The Eleventh Annual General Meeting

NOTES:

1. **Appointment of Proxy**

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 June 2013 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at the Meeting.

(ii) A member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote in his stead. A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualifications of the proxy.

(iii) In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) The instrument appointing a proxy must be deposited at the Registered Office at No. 60-1, Jalan Lagenda 5, Taman 1 Lagenda, 75400 Melaka not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

2. **Explanatory Notes to Special Business:-**

(i) **Item 1 of the Agenda**
This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

(ii) **Authority to Issue shares pursuant to Section 132D of the Companies Act, 1965**
The proposed Ordinary Resolution 1, if passed, will empower the Directors of the Company to issue and allot at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the issued share capital of the Company for the time being (hereinafter referred to as the "General Mandate").

The General Mandate will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment project(s), working capital and/ or acquisition(s).

This General Mandate is renewal. As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Tenth Annual General Meeting held on 29 June 2012 and which will lapse at the conclusion of the Eleventh Annual General Meeting.

Notice Of The Eleventh Annual General Meeting

(iii) Retention as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance 2012 ("MCCG 2012")

Mr. Siow Kee Yen and Puan Adillah binti Ahmad Nordin were appointed as Independent Non-Executive Directors of the Company on 2 December 2002, and have reached cumulative nine(9) years term limit recommended by the MCCG 2012. In accordance with the MCCG 2012, the Board of Directors of the Company, after having assessed the independence of Mr. Siow Kee Yen and Puan Adillah binti Ahmad Nordin, regarded them to be independent based amongst others, the following justifications and recommends that Mr. Siow Kee Yen and Puan Adillah binti Ahmad Nordin be retained as Independent Non-Executive Directors of the Company:

a. They have met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Securities.

b. They do not have any conflict of interest with the Company and has not been entering / are not expected to enter into contract(s) especially material contract(s) with the Company and / or its subsidiary companies; and

c. The Board of Directors is of the opinion that Mr. Siow Kee Yen and Puan Adillah binti Ahmad Nordin are important Independent Non-Executive Directors of the Board in view of their many years on the Board with incumbent knowledge of the Company and the Group's activities and corporate history and have provided invaluable contributions to the Board in their role as Independent Non-Executive Directors.

(iv) Proposed Renewal of Shareholders' Mandate

The proposed Ordinary Resolution 4, if passed, will allow the Group to enter into recurrent related party transactions of a revenue or trading nature pursuant to the provisions of the Main Market Listing Requirements of Bursa Securities.

Please refer to the Circular to Shareholders dated 6 June 2013 for further information.

(v) Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 5, if passed, will allow the Company to purchase its own shares up to 10% of the total issued and paid-up capital of the Company by utilising the funds allocated which shall not exceed the retained profit and / or share premium account of the Company.

Please refer to the Share Buy-Back Statement dated 6 June 2013 for further information.

Corporate Information

BOARD OF DIRECTORS	: Mr. Sai Chin Hock Mr. Ang Kwee Teng Mr. See Wan Sang (Executive Directors) Tuan Haji Azhar bin Nayan (Non-Independent Non-Executive Director) Mr. Siow Kee Yen Puan Adillah binti Ahmad Nordin (Independent Non-Executive Directors)
AUDIT COMMITTEE	Mr. Siow Kee Yen (Chairman) Puan Adillah binti Ahmad Nordin Tuan Haji Azhar bin Nayan
NOMINATION COMMITTEE	Mr. Siow Kee Yen (Chairman) Puan Adillah binti Ahmad Nordin Tuan Haji Azhar bin Nayan
REMUNERATION COMMITTEE	Puan Adillah binti Ahmad Nordin (Chairperson) Mr. Siow Kee Yen Tuan Haji Azhar bin Nayan
COMPANY SECRETARIES	Ms. Chua Siew Chuan (MAICSA 0777689) Ms. Sean Ne Teo (LS 0008058)
REGISTERED OFFICE	No.60-1, Jalan Lagenda 5, Taman 1 Lagenda, 75400 Melaka. Tel: 606-2880210 Fax: 606-2880570
CORPORATE OFFICE	No. 8998, Kawasan Perindustrian Batu Berendam, Peringkat IV, 75350 Melaka, Malaysia. Tel: 606-3355888 Fax: 606-3355999 Website: www.ornapaper.com
SHARE REGISTRAR	Tricor Investor Services Sdn Bhd Level 17, The Gardens North Tower Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur Tel: 603-22643883 Fax: 603-22821886 Email: is.enquiry@my.tricorglobal.com
AUDITORS	Ernst & Young (AF 0039) Chartered Accountants Level 16-1, Jaya 99, Tower B, 99 Jalan Tun Sri Lanang, 75100 Melaka. Tel: 606-2882399 Fax: 606-2832899
PRINCIPAL BANKER	RHB Islamic Bank Berhad
STOCK EXCHANGE LISTING	Main Market of Bursa Malaysia Securities Berhad

Profile of Directors

Mr Sai Chin Hock

Age	: 64
Nationality	: Malaysian
Designation/ Position in the Company	: Executive Director
Date of appointment	: 26 January 2010
Qualification	: Bachelor of Commerce (Nanyang University, Singapore)
Work experience	: Managing Director for the past 35 years
Directorship in other Public Companies	: None
Securities holding in the Company and its subsidiaries	: Direct – 846,400 shares
	: Deemed – 22,305,798 shares
Family relationship with any directors and/ or major shareholders of the Company	: None
Conflict of interest with the Company	: None
List of conviction for offences within the past 10 years	: None

Mr Ang Kwee Teng

Age	: 63
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 (since1995)
Directorship in other Public Companies	: Golsta Synergy Berhad
Securities holding in the Company and its subsidiaries	: Direct - 10,000
	: Deemed - 18,634,888 shares
Family relationship with any directors and / or major shareholders of the Company	: None
Conflict of interest with the Company	: None
List of conviction for offences within the past 10 years	: None

Profile of Directors

Mr See Wan Seng

Age	: 66
Nationality	: Malaysian
Designation / Position in the Company	: Executive Director
Date of appointment	: 2 December 2002
Qualification	: Bachelor of Commerce Degree from Nanyang University Singapore
Work experience	: Director & General Manager of Carton Box Industrial (M) Sdn Bhd (1990 to 1996); Director of Ornapaper Industry (M) Sdn Bhd (1995 to 2008, rejoined from 2010 to present); Director of Tripack Packaging (M) Sdn Bhd (2004 to 2008, rejoined since 2010).
Directorship on other Public Companies	: None
Securities holding in the Company and its subsidiaries	: Direct - Nil
	: Deemed - 18,634,888 shares
Family relationship with any director and / or major shareholders of the Company	: None
Conflict of interest with the Company	: None
List of Conviction for offences within the past 10 years	: None

Tuan Haji Azhar bin Nayan

Age	: 50
Nationality	: Malaysian
Designation / Position in the Company	: Non-Executive Director
Date of appointment	: 2 December 2002
Qualification	: Degree in Bachelor of Science Accountancy; MBA in Finance; Member of American Institute of Certified Public Accountants
Work experience	: Management Consultant in Ernst & Whinny; Auditor with Arthur Andersen & Co.; General Manager in Lembaga Tabung Haji (since 1989); Director of Ornapaper Industry (M) Sdn Bhd (present)
Directorship in other Public Companies	: Tafi Industries Berhad
Securities holding in the Company and its subsidiaries	: Direct - 25,000 shares
	: Deemed - Nil
Family relationship with any directors and / or major shareholders of the Company	: None
Conflict of interest with the Company	: None
List of conviction for offences within the past 10 years	: None

Profile of Directors

Mr Siow Kee Yen

Age	: 42
Nationality	: Malaysian
Designation / Position in the Company	: Independent Non-Executive Director
Date of appointment	: 2 December 2002
Qualification	: Member of Malaysian Institute of Accountants Honours Degree in Bachelor of Accountancy
Work experience	: Audit Senior in Arthur Andersen & Co. (1996-1999); Audit Manager with Chin & Co. (2000-2001); Partner of KY Siow & Co. (since 2001)
Directorship in other Public Companies	: None
Securities holding in the Company and its subsidiaries	: Direct - 230,500 shares
	: Deemed - Nil
Family relationship with any directors and / or major shareholders of the Company	: None
Conflict of interest with the Company	: None
List of conviction for offences within the past 10 years	: None

Puan Adillah binti Ahmad Nordin

Age	: 44
Nationality	: Malaysian
Designation/ Position in the Company	: Independent Non-Executive Director
Date of appointment	: 2 December 2002
Qualification	: LL.B (Honours)
Work experience	: English Bar & Malaysian Bar (1993 &1994); Advocate & Solicitor with Adillah A. Nordin (present)
Directorship in other Public Companies	: None
Securities holding in the Company and its subsidiaries	Direct – 34,000 shares : Deemed – Nil
Family relationship with any directors and/ or major shareholders of the Company	: None
Conflict of interest with the Company	: None
List of conviction for offences within the past 10 years	: None

Letter to Shareholders

On behalf of the Board of Directors, it is with pleasure that I present to you the Annual Report and Audited Financial Statements of Ornapaper Berhad for the year ended 31 December 2012.

OUR VISION

To be a leading company providing packaging solutions.

OUR MISSION

To provide state-of- art products and quality services. To continually develop customer relationship by meeting their needs and enhancing patnership.

PERFORMANCE AND FINANCIAL REVIEW

The Group recorded a marginal higher revenue of RM229 million in the reporting year as compared to a RM226 million in the previous year. The increase in revenue by 1.3% from the preceding year was mainly resulted from higher demand of corrugated boards and carton boxes.

The Group had posted net profits after taxation of RM7.29 million for financial year ended 2012 as compared to RM5.80 million in the corresponding year. This was mainly due to lower cost of raw materials and improved operational efficiency which has improved the profit margin of the Group.

PROSPECTS FOR 2013

The year 2013 continued to be challenging due to uncertainties in the global economic outlook and higher operating costs which will continue to weight on the sales revenue and profit margin of the Group.

The Board will continue to monitor the Group's operations and will focus to strive for higher production and operating efficiency to enhance the profit margin in the challenging business environment.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to the betterment of employees. On human capital, development strategy focuses on building individual accountability, management leadership, capabilities and competence. Core areas of training include business leadership, people skills, business management, financial management, service quality, safety at work and technical skills.

APPRECIATION

The Board of Directors wishes to convey its appreciation and gratitude to the valued shareholders, bankers, suppliers and customers for their unwavering support and faith in us.

The Board also wishes to take this opportunity to thank the management team and operational staffs of the Group for their contribution, dedication, commitment and hard work during the year and I would like to urge the management and staffs to continue giving their best to the Group to take it to greater heights.

I look forward to meeting all of you at the forthcoming Annual General Meeting.

Thank you.

On behalf of the Board,

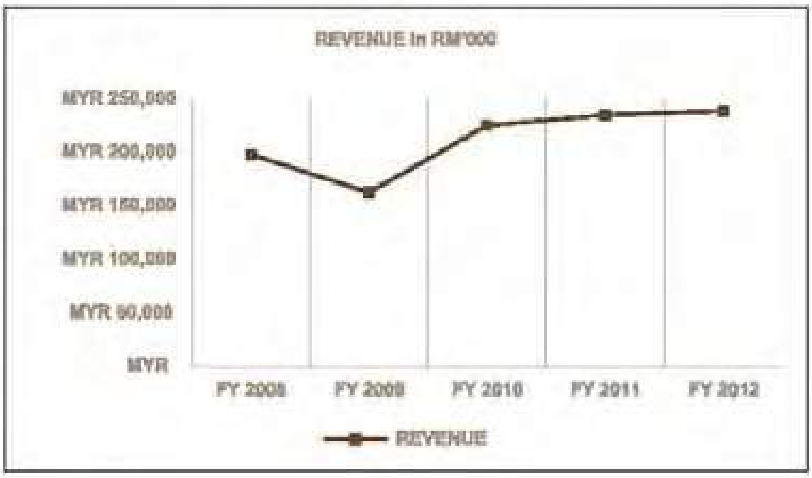
Sai Chin Hock

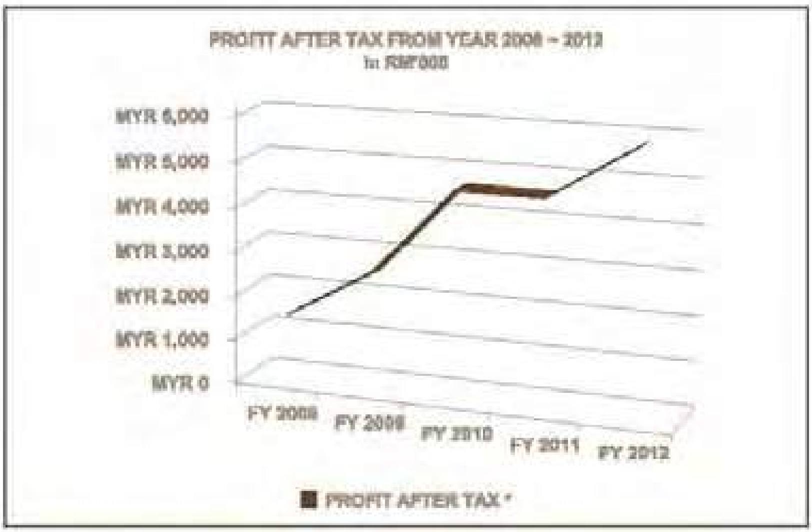
Executive Director

Financial Highlights

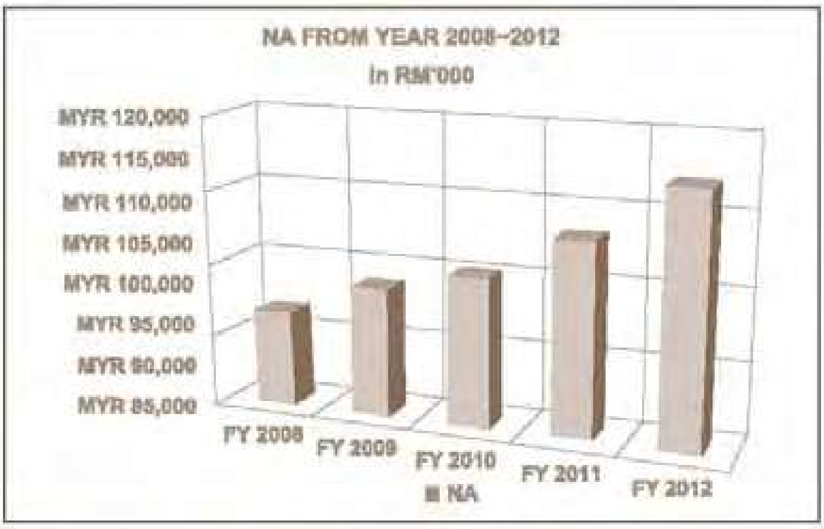
In RM'000 (unless otherwise stated)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
REVENUE	190,586	168,461	216,517	225,668	229,336
GROSS PROFIT	29,061	30,893	34,741	38,449	41,557
PROFIT AFTER TAX *	2,584	4,605	4,589	5,801	7,285
NA	96,097	100,151	102,368	108,161	115,117
NA PER SHARE (RM)	1.28	1.33	1.36	1.44	1.55
EPS BASIC (SEN) *	3.40	6.10	6.10	7.70	9.80

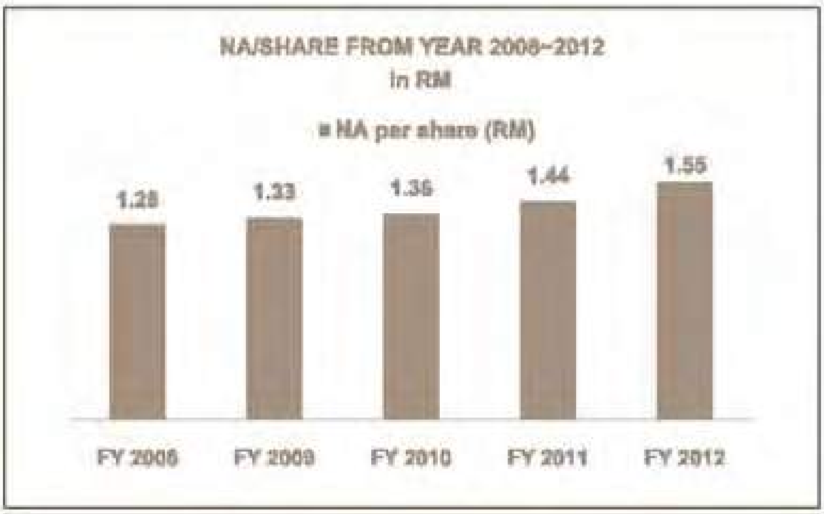
* Attributable to Owners of Parent.

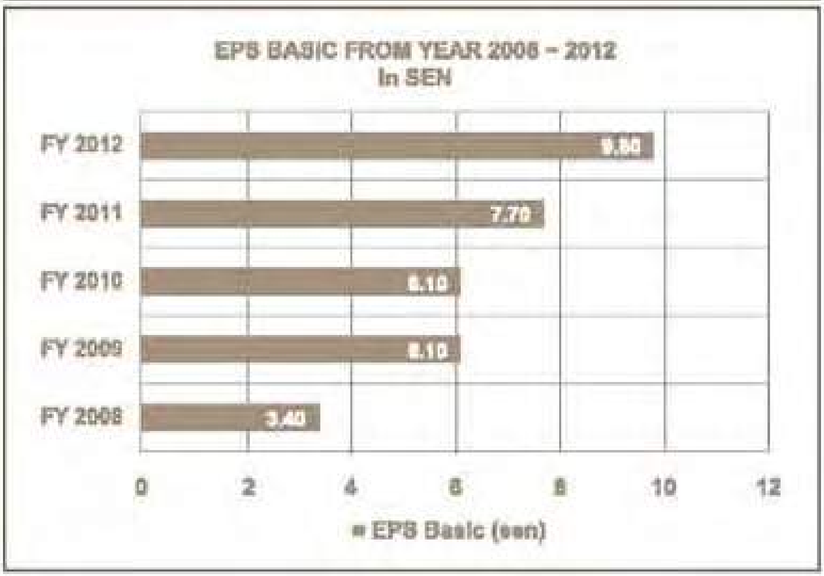




Financial Highlights







Corporate Governance Statement

The Board of Directors ("the Board") of Ornapaper Berhad recognizes and subscribes to the importance of the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"). The Board is firmly committed that accountability and transparency at every level of the organisation is essential in safeguarding assets, enhancing shareholders' value and maintaining strong financial performance.

The Board is pleased to provide the following statement which outlines the main corporate governance that has been in place throughout the financial year ended 31 December 2012.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear Functions of the Board and Management

The Board is responsible for oversight of the Company. Key matters reserved for the board's approval include the following:

- Approval of financial results
- Dividend policy
- Issuance of new securities
- Annual business plan
- Annual financial budget
- Acquisition or disposal of material fixed assets
- Acquisition or disposal of group companies

To ensure the effective discharge of its function and responsibilities, the Board delegates some of the Board's authorities and discretion on the Executive Directors, representing the Management, as well as to properly constituted Board Committees. The Board Members, in carrying out their duties and responsibilities, are firmly committed to ensuring that the highest standards of corporate governance and corporate conduct are adhered to, in order that the Company achieves strong financial performance for each financial year, and more importantly delivers long-term and sustainable value to stakeholders.

The Board Committees are entrusted with specific responsibilities to oversee the Company's affairs, in accordance with their respective Terms of References. At each Board meeting, minutes of the Board Committee meetings are presented to the Board. The respective Chairman / Chairperson of the Board Committees will also report to the Board on key issues deliberated by the Board Committees.

THE BOARD OF DIRECTORS

a) Composition of the Board

The Group is headed by an effective Board with mixed knowledge, expertise and diverse academic background to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction.

The Board comprises six (6) members of which three (3) are Executive Directors, one (1) is Non-Independent Non-Executive Director and two (2) are Independent Non-Executive Directors. With the composition of the Board, ORNA complies with the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements") with regard to the constitution of the Board of Directors and the required ratio of Independent Directors.

Corporate Governance Statement

The Board composition is appropriate in terms of its membership and size. The Board is of the view that the current mix of skills, experience and knowledge are well reflect the requirement in the paper packaging industry, and also professionals with diverse knowledge in the areas of accounting, legal and general management.

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

Profile of Individual Directors are set out in pages 8 to 10 of this Annual Report.

One of the recommendations of the MCCG 2012 is that the tenure of an independent director should not exceed a cumulative of nine(9) years. Amongst the Board members, Mr. Siow Kee Yen and Puan Adillah binti Ahmad Nordin have served on the Board for more than nine(9) years. Pursuant to Recommendation 3.3 of MCCG 2012, and notwithstanding their long tenure in office, the Nomination Committee and the Board based on the review and assessment is unanimous in its opinion that their independence have not been compromised or impaired in any way and they have met the independence guidelines as set out in Chapter 1 of the Listing Requirements.

The Board, therefore, considers them to be independent and recommends that they should be retained as Independent Non-Executive Directors to the shareholders for this purpose at the forthcoming Eleventh AGM.

b) Duties and Responsibilities of the Board

The Board is responsible for the overall corporate governance of the Group, including its strategic plan, overall management and business performance, management of principal risks and controls. The Board is responsible for establishing corporate goals and providing the strategic direction for the Company. The Board also plays the critical role in ensuring that sound and prudent policies and practices are in place and performs the oversight role on the management of the Company's business.

The Board reserves certain power for itself and delegates certain matters, such as day-to-day management of the Company to the Executive Directors and the Management Committee ("MC"). Such delegations are subject to strict approving authority limits. The MC comprises heads of departments within the Group.

The Board has also delegated certain responsibilities to several Board Committees such as the Audit Committee, Nomination Committee and Remuneration Committee which operate within clearly defined terms of reference.

Corporate Governance Statement

c) **Company Secretaries**

The Company Secretaries are responsible for ensuring the Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Company Secretaries advise the Board on issues relating to corporate governance, compliance with laws, rules, procedures and regulatory requirements.

The Company Secretaries attend and ensure that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Code of Ethics for Company Secretaries is adopted and the Board ensures that the Company Secretaries appointed have the relevant experiences and skills.

d) **Supply of Information**

All the Directors are notified of the Board meetings within stipulated time prior to the meetings date. Board papers together with the agenda are circulated to all the Directors prior to Board Meetings. This is to ensure that the Directors are given sufficient time to read the Board papers before the Board Meetings and enable all Directors to discuss the issues to be raised at the meetings as well as discharge their duties appropriately.

All the Directors have direct access to the Senior Management and the services of the Company Secretaries. In addition, the Directors may seek independent professional advice at the Company's expense on specific issues to enable it to discharge their duties in relation to matters being deliberated.

e) **Board Charter**

The Board Charter is currently being drafted and will be posted on the Company's website after the Board's approval. In the course of establishing a board charter, the Board recognizes the importance to set out the key values, principles and ethos of the Company, as policies and strategy development are based on these considerations. The Board Charter is expected to include the division of responsibilities and powers between the board and management as well as the different committees established by the Board.

f) **Board Meetings**

The Board meets quarterly to review its quarterly performances and discuss new strategies. Additional meetings will be called when necessary. During the financial year ended 31 December 2012, five (5) meetings have been held and attendance of each of the Directors are as follows:-

Names of Directors	Number of Meeting Attendance
Ang Kwee Teng	5/5
Sai Chin Hock	5/5
See Wan Seng	5/5
Azhar bin Nayan	5/5
Siow Kee Yen	5/5
Adillah binti Ahmad Nordin	5/5

In the interval between Board meetings, for exceptional matters requiring urgent Board decisions, Boards approval are sought via circular resolutions, which are attached with sufficient and relevant information required for an informed decision to be made.

Corporate Governance Statement

g) Appointments to the Board and Re-election of the Directors

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

The Directors who are standing for re-election at the forthcoming Eleventh AGM of the Company to be held on 28 June 2013 are as stated in the Notice of the Eleventh AGM.

The Directors observe the recommendation of the MCCG 2012 that they are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

h) Directors Training

The Directors are mindful that they should receive continuous training in order to broaden their perspectives and equip them with the necessary skills to carry out their roles effectively as Directors in discharging their responsibilities towards corporate governance, operational and regulatory issues.

All the Directors are briefed by the Company Secretary on the Malaysian Code on Corporate Governance 2012 during one of the Directors' meeting held in year 2012. The following are training programs, seminars and conferences attended by Directors of the Company during the financial year ended 31 December 2012:

Training/ Courses Attended	Name Of Director	Date
(i) 2012 Corporate Fraud Conference	Tuan Haji Azhar Bin Nayan	26-27 Mar 2012
(ii) Workshop on Tax Deductible Expenses - Latest Developments & Practical Issues	Siow Kee Yen	27-28 Mar 2012
(iii) Best Practice In Internal Auditing	Tuan Haji Azhar Bin Nayan	16-17 Apr 2012
(V) Seminar On THE LAW, THE PRACTICE & YOU	Siow Kee Yen	4 Sep 2012
(iv) National Tax Seminar 2012	Siow Kee Yen	9 Oct 2012
(v) 2012 National Conference on Internal Auditing – Rising Potential	Tuan Haji Azhar Bin Nayan	22-23 Oct 2012
(vi) Seminar COSO The Application By Business	Tuan Haji Azhar Bin Nayan	7 Nov 2012
(vii) Briefing On The Malaysian Code On Corporate Governance	Tuan Haji Azhar Bin Nayan	9 Nov 2012

The Directors will continue to participate in other training programmes to keep abreast with latest development in the capital markets, relevant changes in laws and regulations and on corporate governance matters, from time to time. The Directors are briefed by the Company Secretaries on letters and circulars issued by Bursa Malaysia Securities Berhad at board meeting.

i) Board Committees

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to certain Committees, namely Audit Committee, Nomination Committee and Remuneration Committee with each operating within its clearly define terms of reference. The Chairman of the various Committees will report to the Board the outcome of the Committee meetings.

Corporate Governance Statement

The Board has established the following Committees to assist the Board in execution of its responsibilities:-

(i) Audit Committee

The composition and terms of reference of the Audit Committee are detailed in the Audit Committee Report appearing in pages 26 to 29 of this Annual Report.

(ii) Nomination Committee

The Nomination Committee comprises the following three (3) Non-Executive Directors, two (2) of whom are independent:-

Siow Kee Yen	(Chairman)
Adillah binti Ahmad Nordin	(Member)
Azhar bin Nayan	(Member)

The terms of reference of the Nomination Committee include:

- Annually review the required mix of skills and experience and other qualities, including core competencies which non-executive and executive directors should have.
- Assess on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual Director, including Independent Non-Executive Directors. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions should be properly documented.
- Be entitled to the services of the Company Secretary who must ensure that all appointments are properly made, that all necessary information is obtained from Directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Requirements or other regulatory requirements.

Recruitment or Appointment of Directors

The duties and responsibilities of the Nomination Committee are as follows:

- To recommend candidates for all directorship to the Board of Directors. In making its recommendations, the Nomination Committee would consider the candidates';
  - Skills, knowledge, expertise and experience;
  - professionalism;
  - integrity; and
  - in the case of the candidates for the position of independent non-executive Directors, the Nomination Committee would evaluate the candidates' ability to discharge such responsibilities / functions as expected from independent non-executive Directors.
- To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or Shareholder.

Corporate Governance Statement

- To recommend to the Board of Directors the nominees to fill the seats on the committees of the Board.
- To assess the effectiveness of the Board of Directors as a whole and each individual Directors / committee of the Board. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions to be properly documented.
- To act in line with the directions of the Board of Directors.
- To consider and examine such other matters as the members of the Nomination Committee consider appropriate.

The attendance of Directors who are members of Board Committee during the financial year ended 31 December 2012 is set out below:

Director	Designation	Audit Committee	Nomination Committee	Remuneration Committee
Siow Kee Yen	Independent Non Executive Director	5/5	1/1	1/1
Adillah binti Ahmad Nordin	Independent Non Executive Director	5/5	1/1	1/1
Azhar bin Nayan	Non-Independent Non-Executive Director	5/5	1/1	1/1

Gender Diversity

The Board is supportive of gender diversify in the boardroom as recommended by MCCG 2012. Presently, there is one(1) female Director on the Board of the Company and the Company continues to promote the representation of women in the composition of the Board.

(III) Remuneration Committee

The Board has set up a Remuneration Committee comprises the following three (3) Non-Executive Directors, two (2) of whom are independent:-

Adillah binti Ahmad Nordin	(Chairperson)
Siow Kee Yen	(Member)
Azhar bin Nayan	(Member)

The terms of reference of the Remuneration Committee include:

- Review, assess and recommend to the Board of Directors the remuneration packages of the executive directors in all forms, with other independent professional advice or outside advice, if necessary.
- Be entitled to the services of the Company Secretary who must ensure that all decisions made on the remuneration packages of the executive directors be properly recorded and minuted.

Corporate Governance Statement

The range of remuneration received by the Directors for the financial year ended 31 December 2012 is set out in the Notes to the Financial Statements.

All Directors are paid meeting allowances for their attendance at Board and Board Committee meetings.

j) **Directors Remuneration**

The Company shall ensure the level and make-up of remuneration is sufficient to attract and retain the Directors needed to run the Company successfully. Currently, the Remuneration Committee assesses the Executive Directors' remuneration packages so as to recommend the Executive Directors' remuneration packages to the Board for approval. The Executive Directors shall abstain from participating in the discussion with respect to their remuneration packages. Details of the Directors' remuneration for the financial year ended 31 December 2012 are disclosed in page 73 of this Annual report.

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

The Non-Executive Directors' remuneration comprises fees and allowances. Determination of such remuneration is balanced with their expected roles and responsibilities. The Board maintains the current remuneration for each category of Directors commensurate with that adopted by companies of similar standing, and is sufficient to attract and retain Directors of high caliber.

The Board has considered the disclosure of details of the remuneration of each Director and 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.

ACCOUNTABILITY AND AUDIT

a) **Compliance with Applicable Financial Reporting Standards**

The Board takes responsibility to present a balanced, clear and meaningful report on the Group's financial positions and business prospects to its shareholders, investors and the regulatory authorities via timely release of quarterly reports, annual reports and regular announcements on material business matters.

The quarterly results and annual financial statements are reviewed by the Audit Committee and recommended to the Board for approval before releasing to the public, via Bursa LINK. The Audit Committee also reviews the appropriateness of the Company's and Group's accounting policies and the changes to these policies as well as ensures the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable accounting standards.

b) **Directors' Responsibility Statement**

The Directors are responsible for taking reasonable steps to ensure the maintenance of proper accounting and other records and internal controls, the application of appropriate accounting policies and the safeguarding of assets of the Group.

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

Corporate Governance Statement

c) **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 Statement on Risk Management and Internal Control made in pursuance of Chapter 15.26(b) of the Listing Requirements is set out in pages 30 to 32 of this Annual Report.

d) **Assessment of Suitability and Independence of External Auditors**

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors. It is the policy of the Audit Committee to meet with the external auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements. At least one of these meetings is held without the presence of the Executive Directors and the Management. The Audit Committee also meets with the external auditors additionally whenever it deems necessary. In addition, the external auditors are invited to attend the Annual General Meeting of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

e) **Internal Audit Function**

The Group has outsourced its Internal Audit to assist the Audit Committee in the discharge of its duties and responsibilities. The Internal Audit function includes evaluation of the processes by which significant risks are identified, assessed and managed. Such audits are carried out to ensure instituted controls are appropriate, effectively applied and within acceptable risk exposures consistent with the Group's risk management policy.

The total cost incurred was RM26,822.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

The Company recognises the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations. The Company aims to build long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information.

These investors are provided with sufficient business, operations and financial information on the Group to enable them to make informed investment decisions.

The Company's website has a "Contact Us" section where shareholders and potential investors may direct their enquiries on the Company. The Company's customer services team will endeavour to reply to these queries in the shortest possible time.

Leverage on Information Technology for Effective Dissemination of Information

The Company's website provides all relevant information on the Company and is accessible by the public. The Investor Relations section enhances the Investor Relations function by including analyst reports, all announcements made by the Company, annual reports as well as the corporate and governance structure of the Company.

Corporate Governance Statement

The announcement of the quarterly financial results is also made via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage Shareholder Participation at General Meetings

The Company provides information to the shareholders with regard to, amongst others, details of the Annual General Meeting, their entitlement to attend the Annual General Meeting, the right to appoint a proxy and also the qualifications of a proxy.

To further promote participation of members through proxy(ies), the Company have amended its Articles of Association to include explicitly the right of proxies to speak at general meetings, to allow a member who is an exempt authorized nominee to appoint multiple proxies for each omnibus account it holds and expressly disallow any restriction on proxy's qualification.

Encourage Poll Voting

There will not be any substantive resolutions to be put forth shareholders' approval at the forthcoming Annual General Meeting. Nevertheless, the Company would conduct poll voting if demanded by shareholders at the general meeting.

Effective Communication And Proactive Engagement

In maintaining the commitment to effective communication with shareholders, the Group adopts the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as to the general investing public. The practice of disclosure of information is not just established to comply with the requirements of the Listing Requirements pertaining to continuing disclosures, it also adopts the best practices as recommended in the MCCG 2012 with regard to strengthening engagement and communication with shareholders. Where possible and applicable, the Group also provides additional disclosure of information on a voluntary basis. The Group believes that consistently maintaining a high level of disclosure and extensive communication with its shareholders is vital to shareholders and investors to make informed investment decisions.

The Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. As a listed issuer, the contents and disclosure requirements of the annual report are also governed by the Listing Requirements.

Another key avenue of communication with its shareholders is the Company's Annual General Meeting, which provides a useful forum for shareholders to engage directly with the Company's Directors. During the general meeting, shareholders are at liberty to raise questions or seek clarification on the agenda items of the general meeting from the Company's Directors.

Corporate Governance Statement

ADDITIONAL COMPLIANCE INFORMATION

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

Share Buy-Back
During the financial year, the Company purchased 1,027,045 its issued and paid-up share capital from the open market at an average price of RM0.474 per share. The share purchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

Month	No. of shares purchased	Purchase price per share Lowest RM	Highest RM	Average cost per share * RM	Total cost * RM
January 2012	-	-	-	-	-
February 2012	-	-	-	-	-
March 2012	-	-	-	-	-
April 2012	-	-	-	-	-
May 2012	-	-	-	-	-
June 2012	-	-	-	-	-
July 2012	-	-	-	-	-
August 2012	-	-	-	-	-
September 2012	976,945	0.460	0.475	0.470	459,564
October 2012	-	-	-	-	-
November 2012	-	-	-	-	-
December 2012	50,100	0.550	0.550	0.550	27,555
TOTAL FOR 2012	**1,027,045**	**0.460**	**0.550**	**0.474**	**487,119**

* *Excluding transaction costs.*

Subsequent to 31 December 2012, there were share buy-backs of 5,000 ordinary shares from the open market on 3 April 2013 for total net consideration of RM2,800.00. As a result, a balance of 1,032,045 ordinary shares were retained as treasury shares on 3 April 2013.

Corporate Governance Statement

Options, Warrants or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2012.

Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year.

Sanctions and/ or Penalties

There were no sanctions or material penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year ended 31 December 2012.

Variance in Results

There were no material variance between the results of the financial year and the unaudited results previously announced. The company did not make any release on the profit estimate, forecast or projections for the financial year.

Non-audit fees

During the financial year, there were no non-audit fees paid by the Company and its subsidiaries to the Company's external auditors or a firm and its affiliates as professional fee.

Profit Guarantee

The Company did not give any profit guarantees during the financial year.

Material Contracts

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

Contracts Relating to Loans

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

Recurrent Related Party Transactions of a Revenue or Trading Nature (RRPT)

The breakdown of the aggregate value of the RRPT of a revenue or trading nature conducted pursuant to the Proposed Renewal of the Existing Shareholders' Mandate during the financial year ended 31 December 2012 are as follows:

Corporate Governance Statement

Name of Related Parties	Nature of RRPT	Aggregate value of transactions RM'000
Perfect Food Manufacturing (M) Sdn Bhd *	Sales of corrugated carton boxes by OISB	4,099
Greatbrand Food Industries Sdn Bhd *	Sales of corrugated carton boxes by OISB	1,312

*Companies in which Sai Chin Hock, a director and substantial shareholder, has interest.

The Company is seeking its shareholders' approval on RRPT of a revenue or trading nature to be entered by the Company's subsidiary companies with related parties in the ordinary course of business in the forthcoming AGM. Details of the transactions are furnished in the Circular/ Statements to Shareholders, which is distributed together with the Annual Report.

Audit Committee Report

MEMBERSHIP

The members of the Audit Committee and details of attendance at the Audit Committee Meeting during the financial year ended 31 December 2012, where a total of five (5) meetings were held, are as follows:-

Name	*Designation*	*Number of Meeting Attended*
Siow Kee Yen (Chairman)	Independent Non-Executive Director	5/5
Adillah binti Ahmad Nordin	Independent Non-Executive Director	5/5
Azhar bin Nayan	Non-Independent Non-Executive Director	5/5

TERMS OF REFERENCE

Composition of members

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

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

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

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

Mr. Siow Kee Yen meets the requirements of paragraph 15.09(c)(i) where he is a Chartered Accountant and a member of the Malaysian Institute of Accountant.

Retirement and resignation

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

Chairman

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

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

Secretary

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

Audit Committee Report

Meeting

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

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

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

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

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

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

Objectives

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

(a) evaluate the quality of the audits performed by the internal and external auditors;

(b) provide assurance that the financial information presented by management is relevant, reliable and timely;

(c) oversee compliance with laws and regulations and observance of a proper code of conduct; and

(d) determine the quality, adequacy and effectiveness of the Group's control environment.

Audit Committee Report

Authority

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

(a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested bymembers of the Audit Committee.

(b) have full and unlimited/ unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.

(c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.

(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).

(e) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.

Duties and Responsibilities

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

(a) To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;

(b) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

(c) To review with the external auditor his evaluation of the system of internal controls and his auditreport;

(d) To review the quarterly and year-end financial statements of the Board, focusing particularly on -

- any change in accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

(e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);

(f) To review the external auditor's management letter and management's response;

(g) To do the following, in relation to the internal audit function:-

- review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;

Audit Committee Report

- review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of senior staff members of the internal audit function; and
- take cognizance of resignations of internal audit staff members and provide the resigningstaff member an opportunity to submit his reasons for resigning.

(h) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(i) To report its findings on the financial and management performance, and other material matters to the Board;

(j) To consider the major findings of internal investigations and management's response;

(k) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;

(l) To determine the remit of the internal audit function;

(m) To consider other topics as defined by the Board; and

(n) To consider and examine such other matters as the Audit Committee considers appropriate.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

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

(a) Reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors presented their audit strategy and plan.

(b) Reviewed with the external auditors, major issues arising from the audit.

(c) Reviewed the Group's internal audit plan.

(d) Reviewed the internal audit reports. The Audit Committee was briefed on the audit reports issued and on the issues raised by the Internal Auditors on various aspects of the system in operation, practices and procedures and internal controls. Special notice was taken of significant issues raised in the audit reports and that adequate corrective actions had been taken by the Operating Management to rectify the weaknesses.

Statement On Risk Management And Internal Control

INTRODUCTION

Pursuant to paragraph 15.26(b) and Practice Note 9 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements in relation to requirement to prepare statement about the state of internal control of the listed issuer as a group, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), the Board is pleased to present the statement on the state of the risk management and internal controls of the Group for the financial year ended 31 December 2012.

BOARD RESPONSIBILITY

The Board of Directors ("the Board") affirms its overall responsibility for maintaining a sound risk management and internal control system and for reviewing their adequacy and effectiveness so as to safeguard all its stakeholders' interests and protecting the Group's assets. The system of internal controls covers inter-alia, risk assessment as well as financial, operational, environmental and compliance controls. However, in view of the limitations that are inherent in any system of internal controls, the system of internal controls is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, the system of internal controls can only provide reasonable and not absolute assurance against material misstatement of losses and fraud.

RISK MANAGEMENT

The Board maintains an on-going commitment for identifying, evaluating and managing significant risks faced by the Group during the financial year under review. The Board had put in place risk management and internal control system in order to manage key business risks faced by the Group adequately and effectively. The responsibility for the identification, evaluation and management of the key business risk delegated to the Executive Board and Senior Management.

The Group's Risk Management is embedded into key processes at all level of organisation structure whereby respective head of departments are delegated with the responsibility to continuously identify, evaluate and manage the existing and emerging risks, resulting from changes to internal and external environment, faced by the Group under their scope of responsibility by formulating and implementing adequate internal control to minimise the risk exposure identified.

The Executive Directors and Senior Management manage key business risks faced by the Group through constant communication among themselves and with respective head of departments during daily management of operation and through scheduled management meetings with changes in the key business risks faced by the Group or emergence of new key business risks are highlighted to the Executive Directors and Senior Management for deliberation and decision making. During meetings of Board of Directors, the Executive Directors and Senior Management will bring up to the attention of the Board of changes to existing key business risks and emerging key business risks and their relevant mitigation action plans for the Board to assess the adequacy and effectiveness of such action plans, in line with the group's risk appetite and strategic objectives.

The above process has been practiced by the Group for the financial year under review and up to the date of approval of this statement.

Statement On Risk Management And Internal Control

INTERNAL CONTROL SYSTEM

The key features of the Group's internal control system are described below:

- Board Committees (i.e. Audit Committee, Remuneration Committee and Nomination Committee) being established to carry out duties and responsibilities delegated by the Board, governed by written terms of reference;
- Meetings of Board of Directors and respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial and operational perspective, and to carry out its fiduciary duties and responsibilities. Potential business strategies proposed by the Executive Directors for the Board's review and approval, after taking into risk consideration and responses;
- Clearly defined and structured lines of reporting and responsibility for key business units/departments within the Group;
- Jobs descriptions are established and annual performance appraisal are performed for key positions within the Group in order to ensure employees are equipped with relevant knowledge and skills required to perform their duties and responsibilities diligently and effectively;
- Policies and standard operating procedures to regulate key processes in compliance with International Organisation for Standardisation ("ISO") certification;
- Regular management meetings, supported by comprehensive operation reports prepared by respective departments and key indicators, to assess the Group's performance and risks for formulation and implementation of mitigating controls; and
- Executive Directors' close and direct involvement in operations, regular reviews of operational data including production, and marketing and financial data.

INTERNAL AUDIT

The Group relies on internal audit mechanisms to provide the management with the required level of assurance that its business is operating adequately and effectively in order to provide reasonable assurance that the business objectives of the Group are achievable.

The Group's internal audit function is outsourced to an independent professional firm who provides the Audit Committee with much of the assurance it requires regarding the adequacy and integrity of the Group's system of internal control. The outsourced internal audit function reports functionally to Audit Committee and administratively to the Executive Director.

Statement On Risk Management And Internal Control

The outsourced internal audit function adopts a risk based approach for prioritisation of internal audit activities, with consultation with the Executive Director, for Audit Committee's review and approval. Regular internal audit reviews are performed based on the internal audit plan approved by Audit Committee and, upon the completion of the internal audit work, the internal audit reports are presented to the Audit Committee during its meetings. During the presentation, the internal audit findings, its potential risks and recommendations as well as management response and action plans are presented and deliberated. Update on the status of action plans as identified in the previous internal audit reports were also presented during the financial year under review for Audit Committee to ensure action plans are implemented to address the individual risks associated with the findings. During the financial year under review, the outsourced internal audit function conducted two (2) internal audit cycles and reported of the same to the Audit Committee per approved internal audit plan and subsequent management request approved by Audit Committee.

In addition to the above, for the purpose of compliance with ISO 9001:2008 Quality Management Systems, internal quality audits are carried out by in-house independent personnel and surveillance audit is conducted by an independent certification body to provide assurance of compliance with established ISO procedures.

ASSURANCE PROVIDED BY EXECUTIVE DIRECTORS

During the meeting of Board of the Directors during the financial year under review, the performance of the Group were reviewed and deliberated by the Board, including, but not limited to, the adequacy and effectiveness of risk management and internal control system in relation to the strategic objectives of the Group.

Through these board meetings, Executive Directors, being the collective body responsible for the setting and achievement of the corporate objectives and for the observance of management authorities as well as financial affairs management, provided the Board with the confirmation of adequacy and effectiveness of system of internal controls, in material aspects, on potential risks exposure deliberated during such meetings.

In response to the Paragraph 42 of the Guidelines, the Board undertakes to seek assurance from Executive Directors on the adequacy and effectiveness of risk management and internal control system of the Group on annual basis during the financial year ending 31 December 2013.

Pursuant to paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2012 and reported to the Board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and effectiveness of the systems of risk management and internal controls.

CONCLUSION

The Board is of the view that the existing risk management and internal control system put in place is operating satisfactorily to safeguard the interest of the stakeholders and the Group's assets, based on the existing nature of business and scale of operations of the Group. The Board recognises the need for the risk management and internal control system to be subjected to continuous review in line with the growth of the Group and the Board is committed towards striving for continuous improvements to further enhance the Group's risk management and internal control system.

Financial Statements

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal activities

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

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

Results

	Group RM'000	Company RM'000
Profit, net of tax, attributable to:		
Owners of the parent	7,285	5,354
Non-controlling interest	160	-
	7,445	5,354

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

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

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any 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:

Sai Chin Hock
See Wan Seng
Ang Kwee Teng
Siow Kee Yen
Tuan Haji Azhar bin Nayan
Adillah binti Ahmad Nordin

Directors' Report

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 31 to the financial statements.

Directors' interests

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

	Number of ordinary shares of RM1 each			
	1.1.2012	**Acquired**	**Sold**	**31.12.2012**
Direct interest				
Sai Chin Hock	846,400	-	-	846,400
Ang Kwee Teng	10,000	-	-	10,000
Siow Kee Yen	230,500	-	-	230,500
Tuan Haji Azhar bin Nayan	25,000	-	-	25,000
Adillah binti Ahmad Nordin	34,000	-	-	34,000
Indirect interest				
Sai Chin Hock	22,305,798	-	-	22,305,798
Ang Kwee Teng	18,634,888	-	-	18,634,888
See Wan Seng	18,634,888	-	-	18,634,888

Directors' interests (continued)

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

Other statutory information

(a) Before the statements of comprehensive income and the statements of financial posi tion of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

Directors' Report

Other statutory information (continued)

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

(i) the amount written off as bad debts or the amount provided for as doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) 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 its 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 dated 19 April 2013.

Sai Chin Hock

See Wan Seng

Stetament by Directors

Statement by directors
Pursuant to Section 169 (15) of the Companies Act, 1965

We, Sai Chin Hock 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 40 to 98 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

The information set out in Note 38 to the financial statements on page 98 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 April 2013.

Sai Chin Hock

See Wan Seng

Statutory declaration
Pursuant to Section 169 (16) of the Companies Act, 1965

I, See Wan Seng, 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 40 to 98 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed See Wan Seng
on 19 April 2013.

See Wan Seng

Before me,

ONG SAN KEE
Commissioner for Oaths

Independent Auditors' Report To The Members Of Ornapaper Berhad

Report on the financial statements

We have audited the financial statements of Ornapaper Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 December 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 98.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

Independent Auditors' Report To The Members Of Ornapaper Berhad

Report on other legal and regulatory requirements (continued)

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) 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.

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

Other reporting responsibilities

The supplementary information set out in Note 38 to the financial statements on page 98 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information has been prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

1. As stated in Note 2 to the financial statements, Ornapaper Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young	Lee Ah Too
AF: 0039	2187/09/13(J)
Chartered Accountants	Chartered Accountant
Melaka, Malaysia	
Date: 19 April 2013	

Statements Of Comprehensive Income

For The Year Ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Continuing operations					
Revenue	4	229,336	225,668	7,409	1,637
Cost of goods sold		(187,779)	(187,219)	-	-
Gross profit		41,557	38,449	7,409	1,637
Other items of income					
Interest income	5	70	65	4	1
Other income	6	586	1,164	-	-
Other items of expense					
Administrative expenses		(8,350)	(7,654)	(178)	(184)
Selling and marketing expenses		(13,783)	(15,144)	(7)	(4)
Finance costs	7	(3,402)	(3,365)	-	-
Other expenses		(8,072)	(6,498)	(74)	(91)
Profit before tax	8	8,606	7,017	7,154	1,359
Income tax expense	11	(1,161)	(1,156)	(1,800)	(300)
Profit, net of tax, representing total comprehensive income for the year		7,445	5,861	5,354	1,059
Attributable to:					
Owners of the parent		7,285	5,801	5,354	1,059
Non-controlling interest		160	60	-	-
		7,445	5,861	5,354	1,059
Earnings per share attributable to owners of the parent (sen)					
Basic	12	9.8	7.7		
Diluted	12	9.8	7.7		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Statements Of Financial Position

As At 31 December 2012

Group	Note	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Assets				
Non-current assets				
Property, plant and equipment	13	101,837	97,597	86,194
Land use rights	14	4,422	4,553	3,726
Goodwill	16	1,633	1,633	1,633
Investment securities	17	-	-	244
Deferred tax assets	25	1,170	-	-
		109,062	103,783	91,797
Current assets				
Inventories	18	22,594	22,027	23,655
Trade and other receivables	19	54,629	54,837	58,674
Cash and bank balances	20	19,111	6,495	12,545
Tax recoverable		647	655	597
Other current assets	21	1,639	5,323	3,725
		98,620	89,337	99,196
Assets held for sale	22	-	-	440
		98,620	89,337	99,636
Total assets		207,682	193,120	191,433
Equity and liabilities				
Current liabilities				
Borrowings	23	55,260	57,220	53,837
Trade and other payables	24	23,121	18,962	25,866
Current tax payable		179	110	313
		78,560	76,292	80,016
Net current assets		*20,060*	*13,045*	*19,620*
Non-current liabilities				
Borrowings	23	9,106	5,362	6,103
Deferred tax liabilities	25	4,899	3,305	2,946
Non-current liabilities		14,005	8,667	9,049
Total liabilities		92,565	84,959	89,065
Net assets		*115,117*	*108,161*	*102,368*

Statements Of Financial Position
As At 31 December 2012 (Continued)

Group	Note	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Equity attributable to owners of the parent				
Share capital	26	75,251	75,251	75,251
Share premium	27	11,156	11,156	11,156
Treasury shares	28	(489)	-	-
Retained earnings	29	28,442	21,157	15,356
		114,360	107,584	101,763
Non-controlling interest		757	597	605
Total equity		115,117	108,181	102,368
Total equity and liabilities		207,682	193,120	191,433

Statements Of Financial Position

As At 31 December 2012 (Continued)

Company	Note	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Assets				
Non-current assets				
Investment in subsidiaries	15	85,085	77,185	75,585
Current assets				
Other receivables	19	4,968	10,267	10,780
Cash and bank balances	20	2,453	180	215
Tax recoverable		151	149	142
Other current assets	21	1	10	10
		7,573	10,606	11,147
Total assets		92,658	87,791	86,732
Equity and liabilities				
Current liabilities				
Other payables	24	33	31	31
		33	31	31
Net current assets		*7,540*	*10,575*	*11,116*
Total liabilities		33	31	31
Net assets		*92,625*	*87,760*	*86,701*
Equity attributable to owners of the parent				
Share capital	26	75,251	75,251	75,251
Share premium	27	11,156	11,156	11,156
Treasury shares	28	(489)	-	-
Retained earnings	29	6,707	1,353	294
Total equity		92,625	87,760	86,701
Total equity and liabilities		92,658	87,791	86,732

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Statements Of Changes In Equity
For The Year Ended 31 December 2012

Group	Note	Share capital RM'000	Non-distributable Share premium RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Attributable to owners of the parent RM'000	Non-controlling Interest RM'000	Total equity RM'000
Opening balance at 1 January 2011		75,251	11,156	-	15,356	101,763	605	102,368
Total comprehensive income					5,801	5,801	60	5,861
Transaction with owners								
- Dividend on ordinary shares	30						(68)	(68)
Closing balance at 31 December 2011		75,251	11,156	-	21,157	107,564	597	108,161
Total comprehensive income					7,285	7,285	160	7,445
Transaction with owners								
- Purchase of treasury shares	28			(489)		(489)	-	(489)
Closing balance at 31 December 2012		75,251	11,156	(489)	28,442	114,360	757	115,117

Statements Of Changes In Equity
For The Year Ended 31 December 2012 (continued)

		Non-distributable			Distributable	
Company	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
Opening balance at 1 January 2011		75,251	11,156	-	294	86,701
Total comprehensive income		-	-	-	1,059	1,059
Closing balance at 31 December 2011		75,251	11,156	-	1,353	87,760
Total comprehensive income		-	-	-	5,354	5,354
Transaction with owners						
- Purchase of treasury shares	28	-	-	(489)	-	(489)
Closing balance at 31 December 2012		75,251	11,156	(489)	6,707	92,625

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Statements Of Cash Flows

For The Year Ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Operating activities					
Profit before tax		8,606	7,017	7,154	1,359
Adjustments for:					
Impairment loss on financial assets:					
- Trade receivables	19(a)	29	25	-	-
- Other receivables	19(b)	118	160	-	-
Bad debts written off		276	2,112	-	-
Depreciation and amortisation:					
- Property, plant and equipment	13	8,500	7,664	-	-
- Land use rights	14	131	112	-	-
Fair value gain on held-for-trading investment securities		-	(10)	-	-
Loss on disposal of available-for-sale investment securities		-	8	-	-
Net loss on disposal of property, plant and equipment		791	102	-	-
Property, plant and equipment written off		1,092	419	-	-
Reversal of allowance for impairment loss on trade receivables		(31)	(158)	-	-
Interest expense		3,402	3,365	-	-
Interest income		(70)	(65)	(4)	(1)
Total adjustments		14,238	13,734	(4)	(1)
Operating cash flows before changes in working capital		22,844	20,751	7,150	1,358
Changes in working capital					
(Increase)/decrease in inventories		(568)	1,434	-	-
Decrease in receivables		(184)	723	5,298	515
Decrease/(increase) in other current assets		3,684	(1,598)	9	-
(Decrease)/increase in payables		4,159	(5,727)	3	(2)
Total changes in working capital		7,091	(5,168)	5,310	513
Cash flows from operations		29,935	15,583	12,460	1,871
Interest paid		(3,402)	(3,365)	-	-
Interest received		70	65	4	1
Taxes paid		(660)	(1,065)	(1,802)	(307)
Net cash from operating activities		25,943	11,218	10,662	1,565

Statements Of Cash Flows

For The Year Ended 31 December 2012 (Continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Investing activities					
Purchase of property, plant and equipment	13(c)	(10,879)	(22,115)	-	-
Acquisition of land use rights	14	-	(939)	-	-
Additional subscription in shares in subsidiaries		-	-	(7,900)	(1,600)
Proceeds from disposal of property, plant and equipment		734	3,231	-	-
Proceeds from disposal of available-for-sale investment securities		-	246	-	-
Net cash used in investing activities		(10,145)	(19,577)	(7,900)	(1,600)
Financing activities					
Drawdown of term loans		4,856	3,664	-	-
Repayment of term loans		(1,949)	(939)	-	-
Dividend	30	-	(68)	-	-
Repayment of finance lease payables		(2,865)	(3,813)	-	-
(Decrease)/increase in short-term borrowings		(1,630)	3,552	-	-
Purchase of treasury shares	28	(489)	-	(489)	-
Net cash (used in)/from financing activities		(2,077)	2,396	(489)	-
Net increase/(decrease) in cash and cash equivalents		13,721	(5,963)	2,273	(35)
Cash and cash equivalents at 1 January		3,496	9,459	180	215
Cash and cash equivalents at 31 December	20	17,217	3,496	2,453	180

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Notes To The Financial Statements
For The Year Ended 31 December 2012

1. Corporate information

Ornapaper Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business is situated at No. 8998, Kawasan Perindustrian Batu Berendam, Peringkat IV, 75350 Melaka, Malaysia.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS) as issued by the Malaysian Accounting Standards Board (MASB), International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the requirements of the Companies Act, 1965 in Malaysia. Refer to Note 2.2 for detailed information on how the Group and the Company adopted MFRS.

The financial statements have also been prepared on a historical basis, unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 First-time adoption of MFRS

For periods up to and including the year ended 31 December 2011, the Group and the Company had previously prepared financial statements in accordance with Financial Reporting Standards (FRS).

These financial statements are the first the Group and the Company have prepared in accordance with MFRS. Accordingly, the Group and the Company have prepared financial statements which comply with MFRS together with the comparative period data as at, and for the year ended, 31 December 2011, as described in the accounting policies. In preparing these financial statements, the Group's and the Company's opening statements of financial position were prepared as at 1 January 2011, being the date of transition to MFRS. No adjustments were required to be made to the FRS statements of financial position as at 1 January 2011 and the previously published FRS financial statements as at, and for the year ended, 31 December 2011. Hence, the following are not presented:

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.2 First-time adoption of MFRS (continued)

(a) The FRS carrying amount of goodwill is used in the opening MFRS statement of financial position and the Group has tested goodwill for impairment at the date of transition to MFRS. No goodwill impairment was deemed necessary at 1 January 2011.

(b) The estimates at 1 January 2011 and at 31 December 2011 are consistent with those made for the same dates in accordance with FRS and the estimates used by the Group and the Company to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, and as of 31 December 2011.

MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain MFRS and the Group and the Company have applied the following exemptions:

(a) MFRS 1 provides the option to apply MFRS 3 Business Combinations prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition. The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition:

(i) The classification of former business combinations under FRS is maintained;

(ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and

(ii) The carrying amount of goodwill recognised under FRS is not adjusted.

(b) Property, plant and equipment were carried in the statements of financial position prepared in accordance with FRS on the cost basis. The Group continues to regard those values as cost at the date of the transition to MFRS.

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.2 First-time adoption of MFRS (continued)

(c) The FRS carrying amount of goodwill is used in the opening MFRS statement of financial position and the Group has tested goodwill for impairment at the date of transition to MFRS. No goodwill impairment was deemed necessary at 1 January 2011.

(d) The estimates at 1 January 2011 and at 31 December 2011 are consistent with those made for the same dates in accordance with FRS and the estimates used by the Group and the Company to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, and as of 31 December 2011.

2.3 Standards, amendments and interpretations issued but not yet effective

Standards, amendments and interpretations issued but not yet effective up to the date of issuance of the Group's and Company's financial statements are listed below. The Group and the Company intend to adopt, where applicable, these standards, amendments and interpretations as and when they become effective:

(a) Effective for annual periods beginning on or after 1 July 2012

MFRS 101	Amendments to MFRS 101 Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income)

(b) Effective for annual periods beginning on or after 1 January 2013

MFRS 1	Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Government Loans)
MFRS 1	Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009 - 2011 Cycle)
MFRS 3	MFRS 3 Business Combinations (IFRS 3 issued by IASB in March 2004)
MFRS 7	Amendments to MFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities)
MFRS 10	Consolidated Financial Statements
MFRS 10	Amendments to MFRS 10 Consolidated Financial Statements (Transition Guidance)
MFRS 11	Joint Arrangements
MFRS 11	Amendments to MFRS 11 Joint Arrangements (Transition Guidance)
MFRS 12	Disclosure of Interests in Other Entities
MFRS 12	Amendments to MFRS 12 Disclosure of Interests in Other Entities (Transition Guidance)
MFRS 13	Fair Value Measurement
MFRS 101	Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009 - 2011 Cycle)
MFRS 116	Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009 - 2011 Cycle)

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.3 Standards, amendments and interpretations issued but not yet effective (continued)

(b) Effective for annual periods beginning on or after 1 January 2013 (continued)

MFRS 119	Employee Benefits
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 132	Amendments to MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009 - 2011 Cycle)
MFRS 134	Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2009 - 2011 Cycle)
IC Int. 2	Amendments to IC Int. 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009 - 2011 Cycle)
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine

(c) Effective for annual periods beginning on or after 1 January 2014

MFRS 9	Financial Instruments
MFRS 10	Amendments to MFRS 10 Consolidated Financial Statements (Investment Entities)
MFRS 12	Amendments to MFRS 12 Disclosure of Interests in Other Entities (Investment Entities)
MFRS 127	Amendments to MFRS 127 Consolidated and Separate Financial Statements (Investment Entities)
MFRS 132	Amendments to MFRS 132 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)

(d) Effective for annual periods beginning on or after 1 January 2015

MFRS 9 Financial Instruments

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application, except as discussed below:

(a) The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application, except as discussed below:

(a) **MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) and MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)**

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.3 Standards, amendments and interpretations issued but not yet effective (continued)

(a) MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) and MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003) (continued)

An entity shall apply these earlier versions of MFRS 3 and MFRS 127 only if the entity has elected to do so as allowed in MFRS 10 Consolidated Financial Statements. The adoptions of these standards are not expected to have any significant impact to the Group and to the Company.

(b) MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

(c) MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when:

(i) the investor has power over an investee,

(ii) the investor has exposure, or rights, to variable returns from its involvement with the investee, and

(iii) the investor has ability to use its power over the investee to affect the amount of the investor's returns.

Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances.

(d) MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted.

(e) Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009 - 2011 Cycle)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.3 Standards, amendments and interpretations issued but not yet effective (continued)

(e) Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009 - 2011 Cycle)

available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

(f) MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and of its subsidiaries as at the reporting date. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it :

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

2.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resultant gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.5 Business combinations and goodwill (continued)

deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.6 Foreign currency translation

(a) Functional and presentation currency

The Group's and the Company's financial statements are presented in Ringgit Malaysian which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.7 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Company and its subsidiaries assess their revenue arrangements against specific criteria in order to determine if the Company and its subsidiaries are acting as principal or agent. The Group and its subsidiaries have concluded that they are acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.7 Revenue recognition (continued)

(a) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

(b) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

(c) Management fees

Management fees are recognised when services are rendered.

(d) Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the profit or loss.

(e) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.8 Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

The Group makes contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.9 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. **Summary of significant accounting policies (continued)**

   2.9 **Taxes (continued)**

   (a) **Current income tax (continued)**

   Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

   (b) **Deferred tax**

   Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

   Deferred tax liabilities are recognised for all temporary differences, except:

   (i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

   (ii) in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

   Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

   (i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

   (ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

   The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

   Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

   Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

   Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. **Summary of significant accounting policies (continued)**

2.9 **Taxes (continued)**

(b) **Deferred tax (continued)**

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) **Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

(i) where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.10 **Non-current assets held for sale and discontinued operations**

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets, if any, once classified as held for sale are not depreciated or amortised.

2.11 **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.12 **Property, plant and equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.12 Property, plant and equipment (continued)

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	99 years
Factory buildings	50 years
Plant and machinery	5 to 20 years
Other assets	5 to 10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.13 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) Group as lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

(b) Group as lessor

Leases in which the Group do not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.14 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

2.15 Investment in subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

(a) Raw materials: purchase costs on a weighted average basis.

(b) Finished goods and work-in-progress: Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

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

2.17 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. **Summary of significant accounting policies (continued)**

2.17 Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.18 Cash and short-term deposits

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts, if any.

2.19 Financial instruments

(a) Financial assets

(i) Initial recognition and measurement

Financial assets within the scope of MFRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.19 Financial instruments (continued)

(a) Financial assets (continued)

(i) Initial recognition and measurement (continued)

receivables and quoted financial instruments.

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the profit or loss.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured atamortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. **Summary of significant accounting policies (continued)**

2.19 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Subsequent measurement (continued)

Loans and receivables (continued)

The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss in finance costs.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss in finance costs.

The Group did not have any held-to-maturity investments during the years ended 31 December 2011 and 2012.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the profit or loss in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity.

Notes To The Financial Statements
For The Year Ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.19 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Subsequent measurement (continued)

Available-for-sale financial investments (continued)

Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the profit or loss.

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. **Summary of significant accounting policies (continued)**

   2.19 **Financial instruments (continued)**

   (b) **Impairment of financial assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairmentexists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. **Summary of significant accounting policies (continued)**

2.19 Financial instruments (continued)

(b) Impairment of financial assets (continued)

Available-for-sale investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss - is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairments are recognised directly in other comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

(c) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities within the scope of MFRS 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge,as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and financial guarantee contracts.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. **Summary of significant accounting policies (continued)**

2.19 Financial instruments (continued)

(c) Financial liabilities (continued)

(ii) Subsequent measurement (continued)

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

The Group has no financial liabilities held for trading and has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

As at the reporting date, no values are placed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiaries where such loans and banking facilities are fully collateralised by fixed and floating charges over the property, plant and equipment and other assets of the subsidiaries and where the directors regard the value of the credit enhancement provided by the corporate guarantee as minimal.

Notes To The Financial Statements

For The Year Ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.19 Financial instruments (continued)

(c) Financial liabilities (continued)

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(e) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 34.

2.20 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Notes To The Financial Statements
For The Year Ended 31 December 2012

2. Summary of significant accounting policies (continued)

2.21 Dividend distributions

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed. Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in income as a separate line in statement of comprehensive income.

2.22 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.23 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

2.24 Segment reporting

Segment information is not disclosed as the Group operates solely in Malaysia and is principally engaged in the manufacturing and sale of one product line, that is, corrugated boards and carton boxes.

3. Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Notes To The Financial Statements

For The Year Ended 31 December 2012

3. Significant accounting judgments, estimates and assumptions (continued)

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has not made any critical judgments, apart from those involving estimations, which could have a significant effect on the amounts recognised in the financial statements.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of goodwill

Goodwill is tested for impairment annually and at other times which such indicators exist. This required an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present values of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment and sensitivity analysis to changes in the assumptions are disclosed in Note 16.

(b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of loans and receivables at the reporting date are disclosed in Note 19. If the present value of estimated future cash flows increases/decreases by 10% from management's estimates, the Group's allowance for impairment will decrease/increase by RM408,000.

Notes To The Financial Statements

For The Year Ended 31 December 2012

3. **Significant accounting judgments, estimates and assumptions (continued)**

   3.2 **Estimates and assumptions (continued)**

   (c) Taxes

   Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

   The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group and its subsidiaries domicile. As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

   Deferred tax assets are recognised for all unutilised tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses and credits can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

   As at the end of the reporting period, the Group has unutilised tax losses, unabsorbed capital allowances and unabsorbed reinvestment allowances amounting in total to RM1,570,000 (2011: RM7,083,000) for which deferred tax assets have not been recognised. The Group has no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses and credits as deferred tax assets.

   If the Group was able to recognise all unrecognised deferred tax assets, after-tax profit would increase by RM393,000 (2011: RM1,771,000). Further details on taxes are disclosed in Note 25.

Notes To The Financial Statements

For The Year Ended 31 December 2012

4. Revenue

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Sales of goods	229,336	225,668	-	-
Dividend income from subsidiaries	-	-	7,182	1,408
Management fees from subsidiaries	-	-	227	229
	229,336	225,668	7,409	1,637

5. Interest Income

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
Loans and receivables	70	65	4	1

6. Other Income

	Group	
	2012	2011
	RM'000	RM'000
Bad debts recovered	18	-
Commission received	78	149
Fair value gain on held-for-trading investment securities	-	10
Foreign exchange gain	29	109
Rental from operating leases	235	204
Reversal of allowance for impairment loss on trade receivables	31	158
Others	195	534
	586	1,164

7. Finance costs

	Group	
	2012	2011
	RM'000	RM'000
Interest expense on:		
- Bank loans and overdrafts	3,183	3,028
- Obligations under finance leases	219	337
	3,402	3,365

Notes To The Financial Statements

For The Year Ended 31 December 2012

8. Profit before tax

The following amounts have been charged / (credited) in arriving at profit before tax:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- Statutory audit (current year)	134	133	33	31
- Other services provided by auditor of the Company	41	42	-	-
Bad debts written off	276	2,112	-	-
Carriage inwards and outwards	10,778	10,326	-	-
Depreciation and amortisation:				
- Property, plant and equipment (Note 13)	8,500	7,684	-	-
- Land use rights (Note 14)	131	112	-	-
Employee benefits expense (Note 9)	20,322	19,318	8	8
Impairment loss on financial assets				
- Trade receivables [Note 19(a)]	29	25	-	-
- Other receivables [Note 19(b)]	118	180	-	-
Non-executive directors' remuneration (Note 10)	153	154	106	106
Operating lease:				
- Minimum lease payments on land and buildings	382	674	-	-
Loss on disposal of available-for-sale investment securities	-	8	-	-
Net loss on disposal of property, plant and equipment	791	102	-	-
Property, plant and equipment written off	1,092	419	-	-

9. Employee benefits expense

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	17,451	16,807	8	8
Contributions to defined contribution plans	1,543	1,374	-	-
Social security contributions	142	153		
Other benefits	1,186	984	-	-
	20,322	19,318	8	8

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,006,000 and RM8,000 (2011: RM1,457,000 and RM8,000) respectively.

Notes To The Financial Statements

For The Year Ended 31 December 2012

10. Directors' remuneration

	Group		Company	
	2012	2011	2012	2011
Executive directors	RM'000	RM'000	RM'000	RM'000
Directors of the Company:				
- Fees	282	152	-	-
- Salaries and other emoluments	1,175	8	8	8
- Defined contribution plans	85	-	-	-
	1,542	160	8	8
Other directors of subsidiaries:				
- Salaries and other emoluments	412	1,231	-	-
- Defined contribution plans	52	66	-	-
	464	1,297	-	-
Total executive directors' remuneration (excluding benefits-in-kind)	2,006	1,457	8	8
Estimated money value of benefits-in-kind	16	10	-	-
Total executive directors' remuneration (including benefits-in-kind)	2,022	1,467	8	8
Non-executive directors				
Directors of the Company:				
- Fees	144	144	96	96
- Other emoluments	9	10	10	10
	153	154	106	106
Total directors' remuneration	2,175	1,621	114	114

The number of directors of the Company who held office during the financial year, whose total annual remuneration received from the Group that fell within the following bands is analysed below:

Executive directors	2012	2011
RM150,001 to RM200,000	-	1
RM200,001 to RM250,000	1	-
RM350,001 to RM400,000	-	1
RM450,001 to RM500,000	-	1
RM500,001 to RM550,000	-	-
RM550,001 to RM600,000	1	-
RM600,001 to RM650,000	-	-
RM650,001 to RM700,000	-	-
RM700,001 to RM750,000	-	-
RM750,001 to RM800,000	1	-
Non-executive directors		
RM50,001 to RM100,000	3	3

Notes To The Financial Statements

For The Year Ended 31 December 2012

11. Income tax expense

Major components of income tax expense

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Statements of comprehensive income				
Current income tax:				
- Malaysian income tax	935	751	1,800	300
- (Over)/underprovision in prior years	(198)	46	-	-
	737	797	1,800	300
Deferred tax (Note 25):				
- Origination and reversal of temporary differences	384	(1,037)	-	-
- Underprovision in prior years	40	1,396	-	-
	424	359	-	-
Income tax expense recognised in profit or loss	1,161	1,156	1,800	300

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2011 and 2012 is as follows:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Profit before tax	8,606	7,017	7,154	1,359
Taxation at 25% (2011: 25%)	2,152	1,754	1,789	340
Tax effect of:				
- Non-deductible expenses	748	760	11	28
- Non-taxable income	(88)	-	-	(68)
- Utilisation of re-investment allowances	-	(941)	-	-
Deferred tax asset recognised on:				
- Unabsorbed capital allowances	(157)	(81)	-	-
- Unabsorbed reinvestment allowances	(954)	(1,778)	-	-
- Unutilised tax losses	(382)	-	-	-
(Over)/underprovision in prior years:				
- Current income tax	(198)	46	-	-
- Deferred tax	40	1,396	-	-
Income tax expense for the year	1,161	1,156	1,800	300

Notes To The Financial Statements
For The Year Ended 31 December 2012

11. Income tax expense (continued)

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

	Group	
	2012	**2011**
	RM'000	**RM'000**
Unutilised tax losses	2,907	2,830
Unabsorbed capital allowances	2,791	2,869
Unabsorbed reinvestment allowances	21,833	26,807
	27,531	32,506

12. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are the same as the basic earnings per share as there are no dilutive potential ordinary shares outstanding during the year.

	Group	
	2012	**2011**
Profit, net of tax, attributable to owners of the parent (RM'000)	7,285	5,801
Weighted average number of ordinary shares in issue ('000)*	74,224	75,251
Basic earnings per share (sen)	9.8	7.7
Diluted earnings per share (sen)	9.8	7.7

* *The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury shares transactions during the year.*

Notes To The Financial Statements
For The Year Ended 31 December 2012

13. Property, plant and equipment

	Leasehold land RM'000	Factory buildings RM'000	Plant and machinery RM'000	Other assets RM'000	Total RM'000
Group					
Cost					
At 1 January 2011	11,768	38,167	102,458	8,882	161,275
Additions	-	4,090	17,654	635	22,379
Disposals	-	-	(10,227)	(1,704)	(11,931)
At 31 December 2011	11,768	42,257	109,885	7,813	171,723
Additions	-	399	13,020	1,938	15,357
Disposals	-	-	(6,454)	(707)	(7,161)
Written off	-	-	(2,910)	(519)	(3,429)
Reclassification	-	-	50	(50)	-
At 31 December 2012	11,768	42,656	113,591	8,475	176,490
Accumulated depreciation					
At 1 January 2011	1,528	9,887	56,672	6,994	75,081
Charge for the year (Note 8)	134	1,019	5,755	756	7,664
Disposals	-	-	(7,089)	(1,530)	(8,619)
At 31 December 2011	1,662	10,906	55,338	6,220	74,126
Charge for the year (Note 8)	134	1,102	6,483	781	8,500
Disposals	-	-	(4,947)	(689)	(5,636)
Written off	-	-	(1,829)	(508)	(2,337)
Reclassification	-	(2)	88	(86)	-
At 31 December 2012	1,796	12,006	55,133	5,718	74,653
Carrying amount					
At 1 January 2011	10,240	28,280	45,786	1,888	86,194
At 31 December 2011	10,106	31,351	54,547	1,593	97,597
At 31 December 2012	9,972	30,650	58,458	2,757	101,837

(a) The leasehold land and factory buildings and certain plant and machinery are pledged to secure bank borrowings as disclosed in Note 23.

(b) Other assets comprise motor vehicles, office equipment, furniture, fittings and office renovation.

Notes To The Financial Statements

For The Year Ended 31 December 2012

13. Property, plant and equipment (continued)

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

	2012 RM'000	2011 RM'000
Cash	10,879	22,115
Lease financing	4,478	264
	15,357	22,379

(d) The carrying amount of property, plant and equipment acquired under instalment payment plans amount to RM6,748,000 (2011: RM6,952,000).

14. Land use rights

	Group	
	2012 RM'000	2011 RM'000
Cost		
At 1 January	5,535	4,596
Addition	-	939
At 31 December	5,535	5,535
Accumulated amortisation		
At 1 January	982	870
Amortised during the year	131	112
At 31 December	1,113	982
Carrying amount	4,422	4,553
Amount to be amortised:		
- Not later than one year	131	111
- Later than one year but not later than 5 years	524	449
- Later than 5 years	3,767	3,993
	4,422	4,553

The above properties are pledged to secure bank borrowings as referred to in Note 23.

Notes To The Financial Statements

For The Year Ended 31 December 2012

15. Investment in subsidiaries

	Company		
	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000
Unquoted shares at cost	85,085	77,185	75,585

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows:

Name of subsidiaries	Principal activities	Proportion of ownership interest 31.12.2012	Proportion of ownership interest 31.12.2011
Ornapaper Industry (M) Sdn. Bhd.	Manufacturing and sale of corrugated boards and carton boxes	100%	100%
Ornapaper Industry (Batu Pahat) Sdn. Bhd.	Manufacturing and sale of carton boxes	100%	100%
Ornapaper Industry (Perak) Sdn. Bhd.	Manufacturing and sale of corrugated boards and carton boxes	100%	100%
Quantum Rhythm Sdn. Bhd. #	Manufacturing and sale of carton boxes	100%	100%
Tripack Packaging (M) Sdn. Bhd. #	Manufacturing and sale of carton boxes	100%	100%
Ornapaper Industry (Johor) Sdn. Bhd. #	Manufacturing and sale of carton boxes	80%	80%

\# Not audited by Ernst & Young

(a) Subscription of additional shares in subsidiaries

During the year, the Company subscribed for an additional 4,000,000 and 3,900,000 new ordinary shares of RM1.00 each in Ornapaper Industry (Batu Pahat) Sdn. Bhd. and Quantum Rhythm Sdn. Bhd. for a cash consideration of RM4,000,000 and RM3,900,000 respectively. The proportion of ownership interest in Ornapaper Industry (Batu Pahat) Sdn. Bhd. and Quantum Rhythm Sdn. Bhd. held by the Company remains unchanged.

Notes To The Financial Statements

For The Year Ended 31 December 2012

16. Goodwill

Impairment tests for goodwill

Goodwill arising from business combinations has been allocated to two individual CGUs identified according to the subsidiaries for impairment testing, the carrying amount of which are as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Ornapaper Industry (Perak) Sdn. Bhd. ("OIP")	1,574	1,574	1,574
Ornapaper Industry (Johor) Sdn. Bhd. ("OIJ")	59	59	59
	1,633	1,633	1,633

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections of financial budgets approved by management covering a 5 year period. The pre-tax discount rate applied to the cash flow projections and the forecast growth rates used to extrapolate cash flows beyond the five-year period are as follows:

	OIP		OIJ	
	2012	2011	2012	2011
Budgeted gross margins	23%	18%	18%	14%
Growth rate	3%	6%	5%	2%
Pre-tax discount rate	8%	9%	8%	9%

The calculations of value in use for the CGUs are most sensitive to the following assumptions:
Budgeted gross margins - Gross margins are based on average values achieved in the 3 years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Growth rates - The forecast growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rates reflect the current market assessment of the risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining the appropriate discount rates for each CGU, regard has been given to the yield on a 10 year government bond at the beginning of the budgeted year.

Market share assumptions – These assumptions are important because, as well as using industry data for growth rates (as noted above), management assesses how the CGU's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the electronics and related market on which the Group's products are dependent upon, to be stable over the budget period.

Notes To The Financial Statements

For The Year Ended 31 December 2012

17. Investment in securities

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Held-for-trading investments *			
- Equity instruments (quoted in Malaysia)	-	-	9
Available-for-sale financial assets **			
- Equity instruments (unquoted)	-	-	235
Total investment securities	-	-	244

* These investments were carried at fair value through profit or loss.

** These investments were carried at cost less any accumulated impairment losses.

18. Inventories

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
At cost:			
Raw materials and consumables	20,308	20,048	21,585
Work-in-progress	166	89	124
Finished goods	2,120	1,890	1,946
	22,594	22,027	23,655

19. Trade and other receivables

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Trade receivables			
Third parties	55,803	55,603	59,576
Allowance for impairment	(3,344)	(3,346)	(5,557)
Trade receivables, net	52,459	52,257	54,019

Notes To The Financial Statements

For The Year Ended 31 December 2012

19. Trade and other receivables (continued)

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Other receivables			
Third parties	2,721	3,017	4,863
Sundry deposits	185	181	250
	2,906	3,198	5,113
Allowance for impairment			
- Third parties	(736)	(618)	(458)
Other receivables, net	2,170	2,580	4,655
Total trade and other receivables	54,629	54,837	58,674
Total trade and other receivables	54,629	54,837	58,674
Add: Cash and bank balances (Note 20)	19,111	6,495	12,545
Total loans and receivables	73,740	71,219	71,219

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Other receivables			
Subsidiaries	4,965	10,265	10,778
Sundry deposits	3	2	2
Total other receivables	4,968	10,267	10,780
Total other receivables	4,968	10,267	10,780
Add: Cash and bank balances (Note 20)	2,453	180	215
Total loans and receivables	7,421	10,447	10,995

(a) **Trade receivables**

Trade receivables are non-interest bearing and are generally on 30 to 120 (2011: 30 to 120) days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Notes To The Financial Statements
For The Year Ended 31 December 2012

19. Trade and other receivables (continued)

(a) Trade receivables (continued)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Neither past due nor impaired	42,467	41,296	40,164
1 to 30 days past due not impaired	5,249	4,966	3,856
31 to 60 days past due not impaired	1,143	1,864	1,266
More than 61 days past due not impaired	1,859	1,785	2,800
Total past due not impaired	8,251	8,615	7,922
Impaired	5,085	5,692	11,490
	55,803	55,603	59,576

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of these trade receivables have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are active accounts which the management considers to be recoverable. These receivables are not secured by any collateral or credit enhancements.

Receivables that are impaired

Trade receivables that are determined to be individually impaired relate to those debtors that are in significant financial difficulties and / or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Trade receivables that are individually impaired and the movement of the allowance accounts used to record the impairment are as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Trade receivables - nominal amounts	5,085	5,692	11,490
Less: Allowance for impairment	(3,344)	(3,346)	(5,557)
	1,741	2,346	5,933

Notes To The Financial Statements
For The Year Ended 31 December 2012

19. Trade and other receivables (continued)

(a) Trade receivables (continued)

Receivables that are impaired (continued)

Movement in allowance accounts:

	Group	
	2012	2011
	RM'000	RM'000
At 1 January	3,346	5,557
Charge for the year (Note 8)	29	25
Reversal of impairment losses	(31)	(158)
Bad debts written off	-	(2,078)
At 31 December	3,344	3,346

(b) Other receivables

Subsidiaries

Amounts due from subsidiaries are unsecured and repayable on demand.

Other receivables that are impaired

Other receivables that are individually determined to be impaired relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Other receivables that are individually impaired and the movement of the allowance accounts used to record the impairment are as follows:

		Group	
	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000
Other receivables - nominal amounts	755	2,545	1,373
Less: Allowance for impairment	(736)	(618)	(458)
	19	1,927	915

Movement in allowance accounts:

	Group	
	2012	2011
	RM'000	RM'000
At 1 January	618	458
Charge for the year (Note 8)	118	160
At 31 December	736	618

Notes To The Financial Statements

For The Year Ended 31 December 2012

20. Cash and bank balances

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Cash on hand and at banks	18,256	5,697	12,279
Short term deposits with licensed banks	855	798	266
Cash and bank balances	19,111	6,495	12,545

		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Cash on hand and at banks	2,453	180	215

Short term deposits are made for varying periods between 1 to 12 (2011: 1 to 12) months depending on the immediate cash requirements of the Group and of the Company. The deposits earn interest at the respective short-term deposit rates. The weighted average effective interest rate at the reporting date for the Group was 3.6% (2011: 3.2%) per annum.

The deposits with licensed banks are pledged to secure bank guarantee facilities.

For the purposes of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

		Group	
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Cash and bank balances	19,111	6,495	12,545
Bank overdrafts (Note 23)	(1,894)	(2,999)	(3,086)
Cash and cash equivalents	17,217	3,496	9,459

		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Cash and bank balances	2,453	180	215

Notes To The Financial Statements

For The Year Ended 31 December 2012

21. Other current assets

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Advanced payment to supplier of property, plant and equipment	222	-	-
Deposits for purchase of:			
- Property, plant and equipment	1,027	3,073	1,185
- Raw materials	-	483	607
Prepayments	390	1,767	1,933
	1,639	5,323	3,725

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Prepayments	1	10	10

The above amounts are unsecured, interest-free and repayable on demand.

22. Assets held for sale

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
At carrying amount			
Plant and machinery	-	-	440

There was no liability directly associated with the above assets held for sale.

The above assets as held for sale were disposed of to third parties on 21 January 2011.

23. Borrowings

		Group		
	Maturity	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Current				
Secured:				
Bank overdrafts (Note 20)	On demand	1,894	2,999	3,086
Bankers' acceptances	2013	48,354	49,654	43,252
Trust receipts	2013	1,775	2,105	4,910
Term loans	2013	2,204	1,290	679
Finance lease payables (Note 32(b))	2013	1,033	1,172	1,910
		55,260	57,220	53,837

Notes To The Financial Statements

For The Year Ended 31 December 2012

23. **Borrowings (continued)**

	Maturity	Group 31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Non-current				
Secured:				
Term loans	2014 to 2016	6,607	4,614	2,546
Finance lease payables (Note 32(b))	2014 to 2017	2,499	748	3,557
		9,106	5,362	6,103
Total borrowings		64,366	62,582	59,940

The remaining maturities of the borrowings as at 31 December 2012 are as follows:

	Group 31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
On demand or within one year	55,260	57,220	53,838
Later than one year and not later than 2 years	3,126	2,897	2,577
Later than 2 years and not later than 5 years	5,980	2,166	3,525
Later than 5 years	-	299	-
	64,366	62,582	59,940

(a) Bank overdrafts

Bank overdrafts are denominated in RM, bear interest on an average of 8.29% (2011: 8.34%) per annum.

(b) Bankers' acceptance and trust receipts

These are used to finance purchases of the Company denominated in RM and are short term in nature. The weighted average effective interest rate is 3.50% to 4.06% (2011: 3.50% to 4.12%) per annum.

(c) Term loans

The loans are repayable over a period of 5 years. The weighted average effective interest rate is 7.85% to 8.25% (2011: 7.10% to 7.85%) per annum.

(d) Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 13). The average discount rate implicit in the leases is 3.44% (2011: 3.52%) per annum.

Notes To The Financial Statements
For The Year Ended 31 December 2012

23. Borrowings (continued)

The borrowings are secured by the Group's leasehold land and factory buildings and certain other assets and a debenture covering fixed and floating charges over all the assets and properties as disclosed in Notes 13 and 14. The borrowings are additionally guaranteed by a director of a subsidiary and certain directors of the Company.

24. Trade and other payables

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Trade payables			
Third parties	16,673	12,876	17,932
Other payables			
Accrued operating expenses	2,934	1,846	3,317
Other payables	3,514	4,240	4,617
	6,448	6,086	7,934
Total trade and other payables	23,121	18,962	25,866
Total trade and other payables	23,121	18,962	25,866
Add: Borrowings (Note 23)	64,366	62,582	59,940
Total financial liabilities carried at amortised cost	87,487	81,544	85,806

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Other payables			
Accrued operating expenses	33	31	8
Other payables	-	-	23
Total other payables, representing total financial liabilities carried at amortised cost	33	31	31

Notes To The Financial Statements

For The Year Ended 31 December 2012

24. Trade and other payables (continued)

(a) **Trade payables**

Trade payables are non-interest bearing and are normally settled on 30 to 120 (2011: 30 to 120) days terms.

(b) **Other payables**

Other payables are non-interest bearing and normally settled on an average of 6 (2011: 6) months

25. **Deferred tax assets / (liabilities)**

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	(3,305)	(2,946)
Recognised in income statement (Note 11)	(424)	(359)
At 31 December	(3,729)	(3,305)
Reflected in the statement of financial position as follows:		
- Deferred tax assets	1,170	-
- Deferred tax liabilities	(4,899)	(3,305)
	(3,729)	(3,305)

Deferred tax relates to the following:

	Statements of financial position 2012 RM'000	Statements of financial position 2011 RM'000	Statements of comprehensive income 2012 RM'000	Statements of comprehensive income 2011 RM'000
Property, plant and equipment	(8,142)	(7,582)	(560)	1,095
Unutilised tax losses	350	-	350	-
Unabsorbed capital allowances	742	480	262	148
Unabsorbed reinvestment allowances	3,314	4,061	(747)	(336)
Others	7	(264)	271	(1,266)
	(3,729)	(3,305)	(424)	(359)

Notes To The Financial Statements
For The Year Ended 31 December 2012

25. Deferred tax assets / (liabilities) (continued)

The following items were not recognised for deferred tax assets as they are not expected to be utilised by taxable profits or available temporary differences in the foreseeable future:

	Group	
	31.12.2012	31.12.2011
	RM'000	RM'000
Unutilised tax losses	1,507	2,709
Unabsorbed capital allowances	63	924
Unabsorbed reinvestment allowances	-	3,450
	1,570	7,083

26. Share capital

		Number of shares	
	31.12.2012	31.12.2011	01.01.2011
Authorised	RM'000	RM'000	RM'000
Shares of RM1 each	100,000	100,000	100,000

		Amount	
	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000
Shares of RM1 each	100,000	100,000	100,000

		Number of shares	
	31.12.2012	31.12.2011	01.01.2011
Issued and fully paid	RM'000	RM'000	RM'000
Ordinary shares of RM1 each	75,251	75,251	75,251

		Amount	
	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000
Ordinary shares of RM1 each	75,251	75,251	75,251

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

Notes To The Financial Statements

For The Year Ended 31 December 2012

27. Share premium

This non-distributable share premium arose from the issue of shares at a premium in previous years.

28. Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares.

The Company acquired 1,027,000 (2011: nil) shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares was RM489,000 (2011: nil) and this was presented as a component within shareholders' equity.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

29. Retained earnings

With effect from year of assessment 2008, tax on a company's profit will be a final tax and dividends distributed to shareholders will be exempted from tax ("single tier system"). Section 108 tax credits are locked-in as at 31 December 2007 and companies with such tax credits are given a transitional period of 6 years until 31 December 2013 to either utilize their tax credits and frank dividends under limited circumstances or to disregard such tax credits and exercise the option to pay all dividends under the single tier system.

The Company has not elected for the single tier system and as at 31 December 2012, it has sufficient tax credits and tax exempt profits to frank dividends out of its entire retained earnings without incurring any additional tax liability.

30. Dividend

This represents dividend paid by a subsidiary to non-controlling interest in respect of financial year ended 31 December 2011.

31. Related party disclosures

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

Notes To The Financial Statements
For The Year Ended 31 December 2012

31. Related party disclosures (continued)

(a) Sale and purchase of goods and services (continued)

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
With subsidiaries				
Management fee charged to:				
- Ornapaper Industry (M) Sdn. Bhd.	-	-	150	153
- Ornapaper Industry (Perak) Sdn. Bhd	-	-	50	50
- Ornapaper Industry (Batu Pahat) Sdn. Bhd.	-	-	27	26
Net dividend received from:				
- Ornapaper Industry (M) Sdn. Bhd.	-	-	4,261	852
- Ornapaper Industry (Johor) Sdn. Bhd	-	-	-	271
- Ornapaper Industry (Perak) Sdn. Bhd	-	-	1,125	-
With other related parties				
Sales to:				
- Perfect Food Manufacturing (M) Sdn. Bhd.	4,099	3,766	-	-
- Greatbrand Food Industries Sdn. Bhd.	1,312	791	-	-

Other related parties are companies in which a director of the Company, Sai Chin Hock, has substantial financial interest.

(b) Compensation of key management personnel

In addition to the directors' remuneration as disclosed in Note 10, the salaries and other related amounts payable to key management personnel are as follows:

	Group	
	2012 RM'000	2011 RM'000
Salaries and wages	12	11
Defined contribution plans	2	1
	14	12

Notes To The Financial Statements

For The Year Ended 31 December 2012

32. Commitments

(a) Capital commitments

	Group 2012 RM'000	Group 2011 RM'000
Capital expenditure approved and contracted for:		
- Property, plant and equipment	2,373	2,507

(b) Finance lease commitments

The Company has finance leases for certain items of motor vehicles, office equipment and plant and machinery (Note 13). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Minimum lease payments:			
Not later than one year	1,233	1,249	2,200
Later than one year and not later than 2 years	954	507	2,238
Later than 2 years and not later than 5 years	1,813	288	1,589
	4,000	2,044	6,027
Less: Amounts representing future finance charges	(468)	(124)	(560)
	3,532	1,920	5,467
Present value of finance lease payables:			
Not later than one year	1,033	1,172	1,910
Later than one year and not later than 2 years	811	479	1,885
Later than 2 years and not later than 5 years	1,688	269	1,672
	3,532	1,920	5,467
Less: Amount due within 12 months (Note 23)	(1,033)	(1,172)	(1,910)
Amount due after 12 months (Note 23)	2,499	748	3,557

Notes To The Financial Statements

For The Year Ended 31 December 2012

33. Operating lease arrangements

The Group has entered into non-cancellable operating lease agreements for the use of land and buildings. The leases have an average life of between two to three years with renewal options in the contracts. Such contracts include fixed monthly rentals. The future aggregate minimum lease payments under such leases as at the reporting date but not included as liabilities are as follows:

	Group	
	31.12.2012	31.12.2011
	RM'000	RM'000
Not later than one year	28	36
Later than one year but not later than 2 years	1	5
	29	41

34. Fair value of financial instruments

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

		Group		Company	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
	Note	RM'000	RM'000	RM'000	RM'000
Trade and other receivables	19	54,629	54,837	4,968	10,267
Cash and bank balances	20	19,111	8,495	2,453	180
Borrowings	23	64,366	62,582	-	-
Trade and other payables	24	23,121	18,962	33	31

The carrying amounts of the trade and other receivables and trade and other payables are reasonable approximation of their fair values due to their relatively short maturity periods.

The carrying amounts of borrowings are reasonable approximation of their fair values as the interest charge on these borrowings are pegged to, or close to, market interest rates near or at reporting date.

35. Financial risk management objectives and policies

The Group is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks.

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting and there are no outstanding hedging instruments at reporting date.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Notes To The Financial Statements

For The Year Ended 31 December 2012

35. **Financial risk management objectives and policies (continued)**

(a) **Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For the relevant operating unit, the Group does not offer credit terms without the approval of the directors.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, with positive fair values and a nominal amount of RM61,386,000 relating to a corporate guarantee provided by the Company to a bank on subsidiaries bank loans.

Information regarding credit risk management for trade and other receivables and amounts that are neither past due nor impaired and amounts that are either past due or impaired are disclosed in Note 19(a).

Credit risk concentration profile

At the reporting date, approximately 11% (2011 :15%) of the Group's gross trade receivables were due from 2 (2011: 2) customers totalling RM5,257,000 (2011: RM7,661,000).

(b) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall 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 at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities and collection from customers.

Notes To The Financial Statements

For The Year Ended 31 December 2012

35. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations is as follows:

	31.12.2012		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Group			
Trade and other payables	23,121	-	23,121
Borrowings	55,760	9,784	65,544
Total undiscounted financial liabilities	78,881	9,784	88,665
Company			
Trade and other payables	33	-	33
Total undiscounted financial liabilities	33	-	33

	31.12.2011		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Group			
Trade and other payables	18,962	-	18,962
Borrowings	57,297	5,409	62,706
Total undiscounted financial liabilities	76,259	5,409	81,668
Company			
Trade and other payables	31	-	31
Total undiscounted financial liabilities	31	-	31

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

Notes To The Financial Statements

For The Year Ended 31 December 2012

35. **Financial risk management objectives and policies (continued)**

(c) **Interest rate risk (continue)**

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings and actively review its debt portfolio taking into account the investment holding period and nature of its assets.

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

Sensitivity analysis for interest rate risk

Based on the utilisation of floating rate loans and borrowings throughout the reporting period, if interest rates had been 50 basis point lower (or higher), with all other variables held constant, the Group's profit before tax would have been RM317,000 (2011: RM308,000) higher (or lower), arising mainly as a result of lower (or higher) interest expense that would have been incurred. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily United States Dollars ("USD") and Singapore Dollars ("SGD"). Such transactions are kept to an acceptable level.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

	Net financial assets / (liabilities) held in non-functional currency		
	SGD RM'000	USD RM'000	Total RM'000
At 31 December 2012			
Trade and other receivables	353	212	565
Cash and bank balances	53	15	68
	406	227	633
At 31 December 2011			
Trade and other receivables	72	656	728
Trade and other payables	-	(655)	(655)
	72	1	73

Notes To The Financial Statements

For The Year Ended 31 December 2012

35. Financial risk management objectives and policies (continued)

(d) Foreign currency risk (continued)

Sensitivity analysis for interest rate risk

The hypothetical sensitivity of the Group's profit, net of tax, to a 5% change in the USD and SGD exchange rates at the reporting date against RM, assuming all other variables remain unchanged, is insignificant.

36. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within acceptable levels. The Group includes within net debt, borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to equity holders of the Group.

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Borrowings	64,366	62,582	-	-
Trade and other payables	23,121	18,962	33	31
Less: Cash and bank balances	(19,111)	(6,495)	(2,453)	(180)
Net debt	68,376	75,049	-	-
Equity attributable to owners of the parent	114,360	107,564	92,625	87,760
Capital and net debt	182,736	182,613	92,625	87,760
Gearing ratio	37%	41%	-	-

Notes To The Financial Statements

For The Year Ended 31 December 2012

37. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 19 April 2013.

38. Supplementary information – Breakdown of realised and unrealised retained earnings

The breakdown of the retained earnings as at 31 December 2012 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2012	2011	2012	2012
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised profits	77,465	63,004	6,707	1,353
- Unrealised losses	(3,729)	(5,618)	-	-
	73,736	57,386	6,707	1,353
Less: Consolidation adjustments	(45,294)	(36,229)	-	-
Retained earnings as per financial statements	28,442	21,157	6,707	1,353

List Of Properties

Register Owner	Title / Location	Land Area (Square Metres)	Tenure From / To	Existing Use	Approximate Age of Building (Years)	Date of Acquisition or Revaluation	Net Book Value As at 31/12/2012 (RM'000)
OISB(M)	H. S. (M) 466 to H. S. (M) 470 Lot PT4944 to PT4959 Mukim of Bachang, District of Melaka Tengah, Melaka	33,720	Leasehold 99 Years Expiring On 24/09/2094	Industrial		15-Jan-96	
OISB(M)	H. S. (M) 471 to H. S. (M) 475 Lot PT4960 to PT4964 Mukim of Bachang, District of Melaka Tengah, Melaka	17,505	Leasehold 99 Years Expiring On 24/09/2094	Industrial	16	04-Mar-02	27,881
PKNM*	Lot PT 6127, Kawasan Perindustrian Batu Berendam IV, Melaka Factory No.: 6996, Kawasan Perindustrian Batu Berendam (PhaseIV) (Taman Perindustrian Batu Berendam), Batu Berendam, Melaka.	6,822	Leasehold 99 Years Expiring On 20/04/2103	Industrial (Former Service Road)		01-Aug-03	
OISB(BP)	H. S. (D) 43098 Lot. No. PLO 271 (PTD32208), Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim	13,067	Leasehold 60 Years Expiring On 16/07/2060	Industrial	15	27-Oct-97	
	Factory No. PLO 271, Jalan Kawasan Perindustrian Sri Gading, 83009 Batu Pahat, Johor Darul Takzim						9,152
OISB(BP)	H. S. (D) 38426 (PTD36123), Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim	4,047	Leasehold 60 Years Expiring On 04/02/2058	Industrial	15	27-Dec-11	
OISB(PERAK)	H. S. (D) 10127, H.S. (D) 101313 To H. S. (D)10135 Lot PT 80050, PT 80054 to PT 80058 Mukim of Hulu Kinta, District of Kinta, State of Perak	42,808	Leasehold 60 Years Expiring On 02/01/2061	Industrial	22	25-May-90	8,849
	Factory No. Plot 9, Persiaran Perindustrian Kanthan 2, Industrial Estate, 31200 Chemor, Perak Darul Ridzuan						
TPSB	H. S. (M) 1/76 Lot PT 87 Mukim of Bukit Katil, District of Melaka Tengah, State of Melaka.	10,604	Leasehold 99 Years Expiring On 07/04/2075	Industrial	33	19-Jun-00	4,579
	Factory No. 125, Ayer Keroh Industrial Estate, Ayer Keroh, 75450 Melaka.						
OISB(JOHOR)	H. S. (M) 236151 Lot P.T.D. 113285 Mukim of Plentong, District of Johor Bahru, State of Johor. Factory No. 33, Jalan Cendana 6, Taman Perindustrian Kota Puteri, 81750 Masai, Johor	6,070	Leasehold 60 Years Expiring On 10/07/2068	Industrial	6	14-Mar-02	2,178

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

TPSB - Tripack Packaging (M) Sdn. Bhd.
OISB (JOHOR) - Ornapaper Industry (Johor) Sdn. Bhd.

PKNM - Perbadanan Kemajuan Negeri Melaka

* OISB(M) had purchased the land From PKNM as Sale and Purchase agreement Dated 01/08/2003

Analysis Of Shareholdings

As At 8 May 2013

Authorised share capital : RM100,000,000.00
Issued and paid-up capital : RM74,218,556.00
Class of shares : Ordinary Shares of RM1.00 each
Voting rights : 1 Vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDERS

Range	No. of Shareholders	%	No. of Shares	%
1 to 99	10	0.55	434	0.00
100 to 1,000	313	17.18	288,205	0.39
1,001 to 10,000	930	51.04	4,927,814	6.64
10,001 to 100,000	488	26.78	15,786,404	21.27
100,001 to 3,710,926	79	4.34	28,715,011	38.69
3,710,927 and above	2	0.11	24,500,888	33.01
	1,822	100.00	74,218,556	100.00

SUBSTANTIAL SHAREHOLDERS

Name	Direct No. of Shares	%	Indirect No. of Share	%
Intisari Delima Sdn Bhd	18,634,888	25.11	-	-
HSBC Nominees (Asing) Sdn Bhd Exempt An For BSI SA (BSI BK SG-NR)	5,866,000	7.90	-	-

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

Name	No. of Shares	%	No. of Shares	%
Adillah binti Ahmad Nordin	34,000	0.05	-	-
Ang Kwee Teng	10,000	0.01	18,634,888 *	25.11
Azhar bin Nayan	25,000	0.03	-	-
Sai Chin Hock	846,400	1.14	22,305,798 #	30.05
See Wan Seng	-	-	18,634,888 *	25.11
Siow Kee Yen	230,500	0.31	-	-

Notes :-
* Deemed interest by virtue of their shareholdings in Intisari Delima Sdn Bhd
# Deemed interest by virtue of him being the father to Mr Sai Seak Chyuan, Mr Sai Tzy Horng, a substantial shareholder of Pilihan Sistematik Sdn Bhd and by virtue of his substantial shareholdings in Intisari Delima Sdn Bhd

Analysis Of Shareholdings
As At 8 May 2013

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

	Name of Shareholders	No. of Shares Held	%
1.	INTISARI DELIMA SDN BHD	18,634,888	25.11
2.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BSI SA (BSI BK SG-NR)	5,868,000	7.90
3.	SAI SEAK CHYUAN	2,568,586	3.46
4.	SUPERIOR RAINBOW SDN BHD	1,722,245	2.32
5.	KUAH SAY CHONG	1,339,000	1.80
6.	YEO SER KEN	1,173,000	1.58
7.	GOH YU TIAN	1,157,800	1.56
8.	GRANDEUR LAND SDN BHD	1,000,000	1.35
9.	UPTREND PERFORMER SDN BHD	1,000,000	1.35
10.	SAI CHIN HOCK	846,400	1.14
11.	PIBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGE SECURITIES ACCOUNT FOR NG FAAI @ NG YOKE PEI (SRB/PMS)	720,000	0.97
12.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON MENG HENG (MARGIN)	710,100	0.96
13.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM LEONG TIAN (CCTS)	673,000	0.91
14.	SIANG TECK SIONG	649,900	0.88
15.	SAI SEAK CHYUAN	643,000	0.87
16.	YAP CHOI NGA	542,000	0.73
17.	LIM HUEY TIEN	500,000	0.67
18.	LO YOON NIEN	469,000	0.63
19.	PILIHAN SISTEMATIK SDN BHD	459,324	0.62
20.	LIM SIEW HUAI	446,900	0.60
21.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIN HWEE (TMLKRAYA-CL)	440,000	0.59
22.	WONG MENG KIANG	431,000	0.58
23.	LIM HONG LIANG	430,000	0.58
24.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	390,000	0.53
25.	CHONG NYOK MOEY	349,600	0.47
26.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	348,000	0.47
27.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOO KAI SENG	319,900	0.43
28.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO WUE SON @ TEO WEE SOON	319,300	0.43
29.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHIN HORNG	300,000	0.40
30.	LEE WEI GIA	300,000	0.40
	Total	**44,748,943**	**60.29**

Proxy Form

CDS ACCOUNT NO.

NUMBER OF SHARES HELD

*I/We _______________ NRIC No./Company No. _______________

of (full address) _______________

being a Member/Members of ORNAPAPER BERHAD, hereby appoint _______________

NRIC No. _______________ of _______________

or failing *him/her, _______________ NRIC No. _______________ of

____

or failing *him/her, the CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the Eleventh Annual General Meeting of the Company to be held at the Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka on Friday, 28 June 2013 at 10.30 a.m. and at any adjournment thereof.

No.	Resolution
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and the Auditors thereon.

No.	Resolutions	For	Against
2.	To approve the payment of Directors' Fees for the financial year ended 31 December 2012.		
3.	To re-elect Mr. Sai Chin Hock who retires pursuant to Article 92 of the Company's Articles of Association.		
4.	To re-elect Mr. See Wan Seng who retires pursuant to Article 92 of the Company's Articles of Association.		
5.	To re-appoint Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
	As Special Business		
6.	Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965		
7.	To retain Mr. Siow Kee Yen as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012		
8.	To retain Puan Adillah binti Ahmad Nordin as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012		
9.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
10.	Proposed Renewal of Share Buy-Back Authority of up to 10% of the Issued and Paid-Up Share Capital of ORNA		

** Strike out whichever not applicable.*

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

As witness my/our hand(s) this ________ day of ________________ 2013.

____
Signature of Member/Common Seal

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 June 2013 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at the Meeting.

2. A member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote in his stead. A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualifications of the proxy.

3. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy must be deposited at the Registered Office at No. 60-1, Jalan Lagenda 5, Taman 1 Lagenda, 75400 Melaka not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

fold here

Affix
Stamp
Here

The Company Secretary
ORNAPAPER BERHAD (573695-W)
No. 60-1, Jalan Lagenda 5,
Taman 1 Lagenda,
75400 Melaka.
MALAYSIA

fold here

ORNAPAPER BERHAD
(573695-W)
No. 8998, Kawasan Perindustrian,
Batu Berendam Peringkat IV,
75350 Melaka, Malaysia.
Tel: 06-3355 888
Fax: 06-3355 999
Website: www.ornapaper.com