



**ORNAPAPER ORNAPAPER BERHAD (573695-W)**



**ANNUAL  
REPORT  
2005**

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# Notice Of The Fourth Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Fourth Annual General Meeting of ORNAPAPER BERHAD will be held at Bunga Teratai, 7<sup>th</sup> Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Thursday, 29 June 2006 at 10.30 a.m. for the following purposes:-

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the Directors' Report and the Auditors' Report thereon. (Resolution 1)
2. To approve the payment of Directors' Fees for the financial year ended 31 December 2005. (Resolution 2)
3. To re-elect the following Directors who shall retire pursuant to Article 92 of the Company's Articles of Association and who being eligible, offered themselves for re-election:-
  - (a) Tuan Haji Azhar bin Nayan (Resolution 3)
  - (b) Puan Adillah binti Ahmad Nordin (Resolution 4)
4. To re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. (Resolution 5)

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5. **As Special Business:-**

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

**Ordinary Resolution**

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

"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965 to issue and allot shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten (10) per centum of the issued share capital of the Company for the time being."

(Resolution 6)

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

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

Melaka  
5 June 2006

# Notice Of The Fourth Annual General Meeting

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

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

## **Notes:**

1. A member entitled to attend and to vote at this Meeting is entitled to appoint more than two (2) proxies to attend and to vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.
2. If the appointer is a corporation, the form of proxy must be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
3. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, must be deposited at the Registered Office of the Company at Lot 1A, 6<sup>th</sup> Floor, Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra, Batu Berendam, 75350 Melaka not less than forty-eight (48) hours before the time fixed for holding the meeting or at any adjournment thereof.

# Statements Accompanying Notice Of Annual General Meeting

1. Name of Directors standing for re-election

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

Name of Directors	Details of Individual Directors and other Disclosure Requirements
Tuan Haji Azhar bin Nayan	Refer to Page 5 of the Annual Report
Puan Adillah binti Ahmad Nordin	Refer to Page 7 of the Annual Report

2. Details of attendance of Directors at board meetings

<u>Name of Directors</u>	<u>Attendance</u>	<u>Percentage (%)</u>
Datuk Dr. Ting Chung Cheng	5 meetings	100
Ang Kwee Teng	5 meetings	100
Tuan Haji Azhar bin Nayan	4 meetings	80
Puan Adillah binti Ahmad Nordin	5 meetings	100
Mr. See Wan Seng	5 meetings	100
Mr. Siow Kee Yen	5 meetings	100

3. Date, time and place of the Annual General Meeting

Venue: Bunga Teratai, 7<sup>th</sup> Floor, Renaissance Melaka Hotel,  
Jalan Bendahara, 75100 Melaka

Date & Time: 29 June 2006 at 10.30 a.m.

# Profile of The Board of Director

## **Datuk Dr. Ting Chung Cheng**

Age	: 50
Nationality	: Taiwanese
Designation / Position in the Company	: Managing Director
Date of appointment	: 2 December 2002
Qualification	: MBA & DBA Doctorate Degree
Work experience	: Taiwan National Electronic Corporation ;Cheng Long Corporation Ltd, Taiwan;Chung Cheng Carton Co Ltd (1981 - 1990); Managing Director of Ornapaper Industry (M) Sdn Bhd (present);Director of Ornapaper Industry (Perak) Sdn Bhd (present); Director of Tripack Packaging (M) Sdn Bhd (present); Director of Ornapaper Industry (Batu Pahat) Sdn Bhd (present)
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct – 8,368,649 shares : Deemed – 2,000,000 shares
Family relationship with any directors and/or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

## **Tuan Haji Azhar bin Nayan**

Age	: 43
Nationality	: Malaysian
Designation / Position in the Company	: Non-Executive Director
Date of appointment	: 2 December 2002
Qualification	: Degree in Bachelor of Science Accountancy ; MBA in Finance; Member of American Institute of Certified Public Accountants
Work experience	: Management Consultant in Ernst & Whinny; Auditor with Arthur Andersen & Co.; General Manager in Lembaga Tabung Haji (1989 to present); 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	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

# Profile of The Board of Director

## Mr See Wan Seng

Age	: 59
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 (present) ; Director of Tripack Packaging (M) Sdn Bhd (present)
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct – Nil : Deemed – 18,634,888 shares
Family relationship with any directors and/or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

## Mr Siow Kee Yen

Age	: 35
Nationality	: Malaysian
Designation / Position in the Company	: Independent Non-Executive Director
Date of appointment	: 2 December 2002
Qualification	: Member of Malaysia Institute of Accountants Honours Degree in Bachelor of Accountancy
Work experience	: Audit Senior in Arthur Andersen & Co. (1996 -1999); Audit Manager with Chin & Co. (2000 – 2001); Partner of KY Siow & Co. (2001 to present)
Directorship in other Public Companies	: Chang Huat Corporation Berhad
Securities holding in the Company and its subsidiaries	: Direct – 5,000 shares : Deemed – Nil
Family relationship with any directors and/or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

# Profile of The Board of Director

## **Puan Adillah binti Ahmad Nordin**

Age	: 37
Nationality	: Malaysian
Designation / Position in the Company	: Independent Non-Executive Director
Date of appointment	: 2 December 2002
Qualification	: LL.B (Honours)
Work experience	: English Bar & Malaysian Bar (1993 and 1994); Advocate & Solicitor with Adillah A. Nordin (present)
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct – 4,000 shares : Deemed – Nil
Family relationship with any directors and/or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

## **Mr. Ang Kwee Teng**

Age	: 56
Nationality	: Malaysian
Designation / Position in the Company	: Executive Director
Date of appointment	: 2 December 2002
Qualification	: -
Work experience	: Director of Ornapaper Industry (M) Sdn Bhd (1995 to present)
Directorship in other Public Companies	: Golsta Synergy Berhad
Securities holding in the Company and its subsidiaries	: Direct – Nil : Deemed – 18,634,888 shares
Family relationship with any directors and/or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

# Corporate Information

- BOARD OF DIRECTORS** :
- Datuk Dr. Ting Chung Cheng  
*Managing Director*
  - Ang Kwee Teng  
*Executive Director*
  - See Wan Seng  
*Executive Director*
  - Tuan Haji Azhar Bin Nayan  
*Non-Executive Director*
  - Siow Kee Yen  
*Independent Non-Executive Director*
  - Adillah binti Ahmad Nordin  
*Independent Non-Executive Director*

- AUDIT COMMITTEE** :
- Chairman  
Siow Kee Yen  
*Independent Non-Executive Director*

Committee Member  
Adillah binti Ahmad Nordin  
*Independent Non-Executive Director*

Datuk Dr. Ting Chung Cheng - Committee  
*Managing Director*

- SECRETARIES** :
- Chua Siew Chuan (MAICSA 0777689)
  - Sean Ne Teo (LS 008058)

- REGISTERED OFFICE** :
- Lot 1A, 6<sup>th</sup> Floor  
Menara Pertam, Jalan BBP 2,  
Taman Batu Berendam Putra  
Batu Berendam, 75350 Melaka.  
Tel : 06-3355210 Fax : 06-3355570

- NOMINATION COMMITTEE** :
- Chairman  
Siow Kee Yen  
*Independent Non-Executive Director*

Committee Member  
Adillah binti Ahmad Nordin  
*Independent Non-Executive Director*

Tuan Haji Azhar bin Nayan  
*Non-Executive Director*

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# Corporate Information

**REMUNERATION COMMITTEE :** Chairman

Adillah binti Ahmad Nordin  
*Independent Non-Executive Director*

Committee Member

Siow Kee Yen  
*Independent Non-Executive Director*

Datuk Dr. Ting Chung Cheng

*Managing Director*

**REGISTRAR**

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

**AUDITOR**

: Ernst & Young  
Lot 1, 6<sup>th</sup> Floor  
Menara Pertam, Jalan BBP 2,  
Taman Batu Berendam  
Batu Berendam  
75350 Melaka.

**STOCK EXCHANGE LISTING**

: Main Board of Bursa Malaysia Securities Berhad

# Managing Director's Statement

On behalf of the Board of Directors of Ornapaper Berhad ("OB"), I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2005.

## **PERFORMANCE AND FINANCIAL REVIEWS**

For the financial year ended 31 December 2005, the Group recorded a turnover of RM178.5 million, representing an increase of 31.4% from the RM135.8 million recorded in the preceding year.

The increase in turnover was mainly attributed to :-

- (i) turnover generated by subsidiary company in Vietnam which commenced operations during the financial year
- (ii) full consolidation of the subsidiaries acquired in September 2004.

Despite the increase in turnover, the Group registered a pre-tax loss of RM9.91 million compared to a pre-tax profit of RM1.08 million in the preceding year attributed to losses incurred by a foreign subsidiary in Vietnam due to high initial start-up costs. In addition, the results were also adversely affected by rising raw material cost coupled with intense price competition in the corrugated carton industry and higher borrowings cost.

## **DIVIDEND**

No dividend has been declared in respect of the financial year ended 31 December 2005.

## **PROSPECTS FOR 2006**

The Directors expect the year 2006 to remain challenging for the Group due to intense price competition in the corrugated carton industry.

Nevertheless, the Group will continue to implement aggressive marketing strategies to increase the turnover and performance for the coming financial year.

We will continue to focus on improving product quality, minimise overall costs and improve operational efficiencies in the face of rising raw material prices and price competition in the corrugated carton industry.

## **APPRECIATION**

On behalf of the Board, I would like to express my heartfelt gratitude and appreciation to our valued shareholders, bankers, business partners and government authorities for their continued support and trust in us. To all our management and staff, we thank you for your contribution, commitment and loyalty towards the Group

Lastly, my sincere thanks to my fellow Directors for their invaluable advice and guidance to the Board.

# Corporate Governance Statement

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

This statement sets out the commitment of the Boards towards good corporate governance and the extent to which it has complied with the Principles and Best Practices set out in the Code.

## **THE BOARD OF DIRECTORS**

### **Board Balance and Composition**

The Company is headed by the Board comprising of six members, two of whom are independent Non-Executive, one Non-Executive and three Executive Directors. The Board of Directors is made of Executive Directors with wide range of experiences in the paper packaging industry while the Non-Executive Directors are professionals with diverse knowledge and skills in the areas of accounting, legal, and general management. The Board's composition brings to the Group a diverse wealth of skills, knowledge as well as a balanced mix of experience and expertise to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction. A brief profile of each Director is presented on pages 05 to 07 of this Annual Report.

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

### **Board Responsibilities**

The Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Management Committee ("MC") assists the Board in the day-to-day operations of the Group. The MC comprises the Managing Director and heads of departments within the Group.

The Board has also delegated certain responsibilities to other Board Committees, which operate within clearly defined terms of reference. Standing committees of the Board include the Audit Committee (see Report on Audit Committee set out on pages 16 to 18), Remuneration Committee and Nomination Committee.

# Corporate Governance Statement

## Board Meetings

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

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

The board met five (5) times during the financial year ended 31 December 2005.

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

Name	Attendance of Meetings
1. Datuk Dr. Ting Chung Cheng	5/5
2. Ang Kwee Teng	5/5
3. See Wan Seng	5/5
4. Tuan Haji Azhar bin Nayan	4/5
5. Siow Kee Yen	5/5
6. Addillah binti Ahmad Nordin	5/5

## Board Committees

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

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

### Audit Committee

The membership, terms of reference and activities of the Audit Committee are detailed in the report of the Audit Committee detailed on pages 17 to 19 of the Annual Report.

### Nomination Committee

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

# Corporate Governance Statement

Chairman:

Siow Kee Yen - Independent Non-Executive Director

Members:

Adillah binti Ahmad Nordin - Independent Non-Executive Director

Tuan Haji Azhar bin Nayan - Non-Executive Director

The terms of reference of the Committee has been prepared with key duties and responsibilities including the review of the mix of skills and competencies of the Board members and its committees, recommending candidates as members to the Board and its committees as well as assessing the effectiveness of the Board and its committee members.

**Remuneration Committee**

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

Chairman:

Adillah binti Ahmad Nordin - Independent Non-Executive Director

Members:

Siow Kee Yen - Independent Non-Executive Director

Datuk Dr. Ting Chung Cheng - Managing Director

The terms of reference of the Committee has been prepared with key duties and responsibilities including the review of the annual salaries, incentive arrangements, service agreements and other employment conditions of the Executive Directors, to structure the component parts of remuneration so as to link rewards to corporate and individual performance and to ensure the levels of remuneration be sufficiently attractive and be able to retain Directors needed to run the Company successfully.

The Committee met once during the financial year 2005 with all members present.

**DIRECTORS' REMUNERATION**

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

	Executive Directors RM' 000	Non-Executive Directors RM' 000
Salary and other emoluments	594	8
Defined contribution plan	70	-
Fees	90	90
Benefit in kind	105	

# Corporate Governance Statement

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

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	3
RM50,001 – RM100,000	1	-
RM200,001 – RM250,000	1	-
RM500,001 – RM550,000	1	-

The Board has considered the disclosure of details of the remuneration of each Director as stipulated in the Code. The Board is of the view that the transparency and accountability aspects of Corporate Governance as applicable to Director's Remuneration are appropriately served by the "band disclosure" as required by the Listing Requirements.

## Re-election

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

## Directors' Training

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

The Board encourages its Directors to undergo other relevant training programmes on a continuous basis to further enhance their skills and knowledge to enable them to discharge their respective duties effectively.

## RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

### Dialogue between Company and Investors

The Group recognizes the importance of communication with shareholders and investors and keeping them informed of the Group's developments. The dissemination of information to shareholders and investors is conducted via various public announcements, announcements of quarterly financial results, the Company's Annual Reports and circular to shareholders.

### Annual General Meeting

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

# Corporate Governance Statement

## ACCOUNTABILITY AND AUDIT

### **Financial Reporting**

In presenting the annual financial statements and quarterly announcements of financial results, the Board aims to present a balanced and meaningful assessment of the Group's financial positions and prospects. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and accuracy of its financial reporting.

### **State of Internal Control**

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets. This includes ensuring the review of the adequacy and integrity of the system of internal control in managing the principal risks of the Group.

The Board has reviewed the adequacy and integrity of the Group's state of internal control and the Board's Statement on Internal Control is set out on pages 20 to 21 of the Annual Report.

### **Relationship with the Auditors**

The role of the Audit Committee in relation to the external auditors is disclosed in the Report on Audit Committee set out on pages 17 to 19.

### **Other Information**

#### **Share Buybacks**

During the financial year, there were no shares buy backs by the Company.

#### **Options, Warrants or Convertible Securities**

No warrants or convertible securities were exercised by the Company in the financial year.

#### **American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme**

During the financial year, the Company did not sponsor any ADR or GDR programme.

#### **Sanctions and Penalties**

There were no material sanctions and/or penalties imposed on the Company and/or its subsidiaries, Directors or management by the regulatory bodies.

#### **Variation in Results**

There were no material variance between the results of the financial year and the unaudited results previously announced.

#### **Non-audit fees**

The amount of non-audit fees paid to external auditors for the financial year ended 31 December 2005 was RM46,215.

# Corporate Governance Statement

## **Profit Guarantees**

During the financial year, there were no profit guarantees given by the Company.

## **Material Contracts**

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

## **Contracts Relating to Loans**

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

## **Utilisation Proceeds**

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

## **Directors' Responsibility Statement**

The Directors of the Company are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company.

The Directors are 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 approved accounting standards so as to give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year end and of the results and cash flows of the Group and the Company for the financial year.

In preparing those financial statements of the Group and the Company for the financial year ended 31 December 2005, the Group has adopted the appropriate accounting policies and applied them consistently and all applicable approved accounting standards have been followed. The financial statements are prepared on a going concern basis.

# Audit Committee Report

## **MEMBERSHIP**

The Audit Committee consists of three (3) members. The composition of Audit Committee is as follows:

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

## **OBJECTIVES**

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

## **COMPOSITION**

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

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

The members of the Audit Committee shall elect a Chairman from among their number who shall be an independent Director. In the event of any vacancy in Committee resulting in the non-compliance of the above stated conditions, the Company shall fill the vacancy within three (3) months. The Board of Directors of the Company shall review the term of office and performance of the Audit Committee and each of its members at least once every three years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

## **AUTHORITY**

The Audit Committee shall :-

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

# Audit Committee Report

## MEETING

The Audit Committee shall meet at least four (4) times a year. In addition, the Chairman shall call for a meeting of the Committee if requested to do so by any member of the Committee. A quorum shall consist of a majority of members present who must be independent Directors.

The Audit Committee held four (4) meetings during the financial year ended 31 December 2005.

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

<i>Directors</i>	<i>Attendance of Meetings</i>
Siow Kee Yen	4/4
Adillah binti Ahmad Nordin	4/4
Datuk Dr. Ting Chung Cheng	4/4

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

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

- (a) Reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors presented their audit strategy and plan.
- (b) Reviewed with the external auditors, major issues arising from the audit.
- (c) Reviewed the Group's internal audit plan.
- (d) Reviewed the internal audit reports. The Audit Committee was briefed on the audit reports issued and on the issues raised by the Internal Auditors on various aspects of the system in operation, practices and procedures and internal controls. Special notice was taken of significant issues raised in the audit reports and that adequate corrective actions had been taken by the Operating Management to rectify the weaknesses.
- (e) Reviewed the quarterly results and year end financial statements prior to the approval by the Board of Directors focusing particularly on :-
  - changes in or implementation of major accounting policy changes,
  - significant and unusual events, and
  - compliance with accounting standards and other legal requirements.
- (f) Reviewed the related party transactions and conflict of interest situation that may arise within the Group including any transactions, procedure or course of conduct that raises questions of Management integrity.

# Audit Committee Report

## FUNCTIONS

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

1. review the following and report the same to the Board of Directors of the Company:-
  - (a) the audit plan with the external auditor.
  - (b) with the external auditor its evaluation of the system of internal controls.
  - (c) the audit report with the external auditors.
  - (d) the assistance given by the employees of the Company to the external auditor.
  - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
  - (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
  - (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
    - (i) changes in or implementation of major accounting policy changes.
    - (ii) significant and unusual events; and
    - (i) compliance with accounting standards and other legal requirements.
  - (h) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity.
  - (i) any letter of resignation from the external auditors of the Company; and
  - (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and
2. to recommend the nomination of a person or persons as external auditors.

# Statement On Internal Control

## INTRODUCTION

The Malaysian Code on Corporate Governance ("the code") requires the Board of Directors of listed companies to maintain a sound system of internal control to safeguard shareholders' investment and Group assets.

Bursa Malaysia Securities Berhad's Listing Requirements, Paragraph 15.27(b) requires the Board to make a statement about the state of internal control of the listed entity as a Group.

The Board is committed to maintain a sound system of internal control in the Group and is pleased to provide the following statement.

## BOARD RESPONSIBILITY

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity.

The Group's system of internal control is designed to manage the principal business risks that may impede the Group from achieving its business objectives. Notwithstanding, as with any internal control system, the Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing those objectives, these systems can only provide reasonable, and not absolute assurance against material misstatement or loss.

## THE GROUP'S SYSTEM OF INTERNAL CONTROL

### Monitoring Mechanisms and Management Style

The Board entrusts the daily running of the business to the Managing Director ("MD") and his management team. The Managing Director and his management team receive timely information pertaining to performance and profitability of the Group through monthly and weekly reports which include quantitative and qualitative trends and analyses.

The MD plays a pivotal role in communicating the Board's expectations of the system of internal control to management. This is achieved, on a day-to-day basis, through his active participation in the operations of the business as well as attendance at various scheduled management committee meetings. The management committee composed of Heads Of Departments meet regularly to discuss Production, Operational, Sales and Human Resource issues. The MD monitors the progress of these issues through daily interaction with management and the review of the Management Committee minutes.

### Risk Management Framework

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

The MC plays a pivotal role in continuously monitoring the implementation of the mitigating action plans and assessing the relevance and adequacy of the risk management and control process in light of changes to the Group's risk profile.

# Statement On Internal Control

## Key Elements of the Group's System of Internal Control

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

- Quality Policy that clearly outlines the Group's Direction.
- Clear organisation structure with developed reporting lines that are ISO compliant.
- Scheduled Management Committee meetings involving the review of the Group's operations, financial performance, and human resource matters.
- Monthly and weekly reports to the MD containing both financial and non-financial information.
- Employee Handbooks stating the required Code of Conduct.
- An implicit understanding of the Company's authority limits.
- Structured training for employees based on the annual training plan.
- An independent internal audit function
- Internal Quality Audits as specified by ISO.

The systems of internal control was satisfactory and has not resulted in any significant breakdown or weaknesses in the system of internal controls of the Group that have resulted in material losses incurred by the Group for the financial year ended 31 December 2005. The Group continues to take necessary measures to strengthen its internal control structure and manage the risks.

### Assurance Mechanism

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

The Company has an independent internal audit function to conduct review on internal controls. The internal audit function reports directly to the Audit Committee. The internal audit function reviews the key activities of the Group on the basis of an annual audit plan approved by the Audit Committee. Reports and corrective actions arising from internal audit reviews are reported to the Audit Committee.

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

### **THE BOARD'S COMMITMENT**

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

# Financial Statements

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# Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

## PRINCIPAL ACTIVITIES

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

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

## RESULTS

	<b>Group RM</b>	<b>Company RM</b>
Net (loss)/profit for the year	<u>(5,664,446)</u>	<u>150,634</u>

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

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

## DIVIDENDS

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 :

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

## 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.

# Directors' Report

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 5 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as mentioned in Note 28 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			
	1.1.2005	Acquired	Sold	31.12.2005
<b>Direct</b>				
Datuk Dr. Ting Chung Cheng	8,368,649	-	-	8,368,649
Tuan Haji Azhar bin Nayan	25,000	-	-	25,000
Siow Kee Yen	5,000	-	-	5,000
Adillah binti Ahmad Nordin	4,000	-	-	4,000
<b>Indirect</b>				
Datuk Dr. Ting Chung Cheng	2,000,000	-	-	2,000,000
Ang Kwee Teng	18,634,888	-	-	18,634,888
See Wan Seng	18,634,888	-	-	18,634,888

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

## OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would:
- (i) require any amount to be written off as bad debts or render the amount provided for as doubtful debts inadequate to any substantial extent; and
  - (ii) render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

# Directors' Report

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

## AUDITORS

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

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

DATUK DR. TING CHUNG CHENG

SEE WAN SENG

Melaka, Malaysia

Date: 24 April 2006

# Statement By Directors

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

We, DATUK DR. TING CHUNG CHENG and SEE WAN SENG, being two of the directors of ORNAPAPER BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 28 to 53 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

DATUK DR. TING CHUNG CHENG

SEE WAN SENG

Melaka, Malaysia

Date: 24 April 2006

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# Statutory Declaration

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

I, DATUK DR. TING CHUNG CHENG, being the director primarily responsible for the financial management of ORNAPAPER BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 53 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed DATUK DR. TING )  
CHUNG CHENG at Melaka in the State )  
of Melaka on 24 April 2006 )

DATUK DR. TING CHUNG CHENG

Before me,

A. SUPRAMANIAM PIS

# Report Of The Auditors

We have audited the accompanying financial statements set out on pages 28 to 53. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of :
  - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 10 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

ERNST & YOUNG  
AF: 0039  
Chartered Accountants

LEE AH TOO  
No. 2187/09/07(J)  
Partner

Melaka, Malaysia  
Date: 24 April 2006

# Income Statements

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	3	178,474,294	135,839,693	718,175	718,175
Cost of sales		(159,043,818)	(115,758,242)	-	-
Gross profit		19,430,476	20,081,451	718,175	718,175
Other income		1,796,123	270,287	-	-
Administrative expenses		(8,501,476)	(5,361,457)	(216,596)	(227,042)
Selling and marketing expenses		(12,178,422)	(7,788,255)	(2,910)	(11,680)
Other expenses		(5,505,509)	(3,634,555)	(74,419)	(239,567)
(Loss)/profit from operations	4	(4,958,808)	3,567,471	424,250	239,886
Interest income		464,922	481,634	334	242
Interest expense		(5,411,963)	(2,970,156)	(155,950)	(73,876)
(Loss)/profit before taxation		(9,905,849)	1,078,949	268,634	166,252
Taxation	6	(540,693)	(727,643)	(118,000)	(69,000)
(Loss)/profit after tax		(10,446,542)	351,306	150,634	97,252
Minority interests		4,782,096	371,642	-	-
Net (loss)/profit for the year		(5,664,446)	722,948	150,634	97,252
(Loss)/earnings per share (sen)	7	(7.5)	1.1		

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

# Balance Sheets

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	9	147,277,220	133,643,182	-	-
Investment in subsidiaries	10	-	-	96,497,035	92,332,285
Other investments	11	269,400	269,400	-	-
Long-term deposits		8,141	-	-	-
Deferred tax assets	12	125,523	157,011	20,340	20,340
		<u>147,680,284</u>	<u>134,069,593</u>	<u>96,517,375</u>	<u>92,352,625</u>
<b>CURRENT ASSETS</b>					
Inventories	13	24,725,581	25,886,849	-	-
Trade receivables	14	74,554,533	54,083,412	-	-
Other receivables	15	2,870,222	4,500,625	37,844	26,515
Tax recoverable		1,666,293	1,228,501	116,631	83,682
Cash and bank balances	16	6,557,356	14,582,458	16,534	13,914
		<u>110,373,985</u>	<u>100,281,845</u>	<u>171,009</u>	<u>124,111</u>
<b>CURRENT LIABILITIES</b>					
Short term borrowings	17	84,429,003	66,205,473	532,000	-
Trade payables	19	22,407,088	13,294,153	-	-
Other payables	20	7,787,700	4,424,440	7,169,036	3,108,022
Tax payable		26,179	206,368	-	-
		<u>114,649,970</u>	<u>84,130,434</u>	<u>7,701,036</u>	<u>3,108,022</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>					
		<u>(4,275,985)</u>	<u>16,151,411</u>	<u>(7,530,027)</u>	<u>(2,983,911)</u>
		<u>143,404,299</u>	<u>150,221,004</u>	<u>88,987,348</u>	<u>89,368,714</u>
<b>FINANCED BY :</b>					
Share capital	21	75,250,601	75,250,601	75,250,601	75,250,601
Share premium	22	11,155,900	11,155,900	11,155,900	11,155,900
Foreign exchange reserve	23	(479,126)	3,891	-	-
Retained profits	24	808,904	6,473,350	452,847	302,213
Shareholders' equity		<u>86,736,279</u>	<u>92,883,742</u>	<u>86,859,348</u>	<u>86,708,714</u>
Negative goodwill on consolidation	25	3,182,166	3,182,166	-	-
Minority interest		12,499,412	13,884,551	-	-
		<u>102,417,857</u>	<u>109,950,459</u>	<u>86,859,348</u>	<u>86,708,714</u>
Long-term borrowings	17	31,063,538	30,783,262	2,128,000	2,660,000
Deferred tax liabilities	12	9,922,904	9,487,283	-	-
Non-current liabilities		<u>40,986,442</u>	<u>40,270,545</u>	<u>2,128,000</u>	<u>2,660,000</u>
		<u>143,404,299</u>	<u>150,221,004</u>	<u>88,987,348</u>	<u>89,368,714</u>

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

# Statements Of Changes In Equity

<b>Group</b>	<b>Share capital RM</b>	<b>Non-distributable Share premium RM</b>	<b>Non-distributable Foreign exchange reserve RM</b>	<b>Distributable Retained profits RM</b>	<b>Total RM</b>
At 1 January 2004	62,000,000	5,193,130	-	8,850,402	76,043,532
Issue of share capital (Notes 21 and 22)	13,250,601	5,962,770	-	-	19,213,371
Net profit for the year	-	-	-	722,948	722,948
Foreign exchange differences, representing net gain not recognised in income statement	-	-	3,891	-	3,891
Dividends (Note 8)	-	-	-	(3,100,000)	(3,100,000)
At 31 December 2004	75,250,601	11,155,900	3,891	6,473,350	92,883,742
Net loss for the year	-	-	-	(5,664,446)	(5,664,446)
Foreign exchange differences, representing net loss not recognised in income statement	-	-	(483,017)	-	(483,017)
At 31 December 2005	75,250,601	11,155,900	(479,126)	808,904	86,736,279
<b>Company</b>					
At 1 January 2004	62,000,000	5,193,130	-	3,304,961	70,498,091
Issue of share capital (Notes 21 and 22)	13,250,601	5,962,770	-	-	19,213,371
Net profit for the year	-	-	-	97,252	97,252
Dividends (Note 8)	-	-	-	(3,100,000)	(3,100,000)
At 31 December 2004	75,250,601	11,155,900	-	302,213	86,708,714
Net profit for the year	-	-	-	150,634	150,634
At 31 December 2005	75,250,601	11,155,900	-	452,847	86,859,348

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

# Cash Flow Statements

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	(9,905,849)	1,078,949	268,634	166,252
Adjustments for :				
Depreciation	9,264,757	5,054,625	-	-
Gain on disposal of property, plant and equipment	(144,411)	(108,817)	-	-
Doubtful debts (written back)/ provided	(309,455)	167,547	-	-
Bad debts written off	11,417	-	-	-
Gross dividend	(792)	(88)	(568,175)	(568,175)
Interest expense	5,411,963	2,970,156	155,950	73,876
Interest income	(464,922)	(481,634)	(334)	(242)
Operating profit/(loss) before working capital changes	3,862,708	8,680,738	(143,925)	(328,289)
Decrease/(increase) in inventories	1,161,268	(5,982,738)	-	-
(Increase)/decrease in receivables	(18,542,680)	9,921,443	(11,329)	14,695,210
Increase/(decrease) in payables	12,476,195	(6,446,556)	4,061,014	-
Cash (used in)/generated from operations	(1,042,509)	6,172,887	3,905,760	14,366,921
Interest paid	(5,411,963)	(2,970,156)	(155,950)	(73,876)
Interest received	464,922	481,634	334	242
Taxation (paid)/refund	(691,565)	(267,381)	8,140	-
Net cash (used in)/from operating activities	(6,681,115)	3,416,984	3,758,284	14,293,287
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net cash inflow/(outflow) from acquisition of subsidiaries	-	11,501,572	-	(17,335,419)
Additional investment in subsidiary	3,396,957	-	(4,164,750)	-
Net dividends received	792	88	409,086	409,086
Placement of long-term deposits	(8,141)	-	-	-
Proceeds from disposal of property, plant and equipment	364,562	1,193,310	-	-
Purchase of property, plant and equipment	(16,581,386)	(42,248,012)	-	-
Net cash used in investing activities	(12,827,216)	(29,553,042)	(3,755,664)	(16,926,333)

# Cash Flow Statements

## CASH FLOWS FROM FINANCING ACTIVITIES

Drawdown of term loans	7,805,239	23,205,274	-	2,660,000
Repayment of term loan	(6,803,956)	(87,245)	-	-
Repayment of hire purchase	(2,923,930)	(1,389,016)	-	-
Short term borrowings	11,485,143	13,408,681	-	-
Dividends paid	-	(3,100,000)	-	(3,100,000)
Net cash from/(used in) financing activities	<u>9,562,496</u>	<u>32,037,694</u>	<u>-</u>	<u>(440,000)</u>

## CASH AND CASH EQUIVALENTS

(Decrease)/increase during the year	(9,945,835)	5,901,636	2,620	(16,024)
Effect of exchange rate changes	183,443	3,891	-	-
At beginning of year	<u>12,362,071</u>	<u>6,456,544</u>	<u>13,914</u>	<u>29,938</u>
At end of year (Note 16)	<u>2,599,679</u>	<u>12,362,071</u>	<u>16,534</u>	<u>13,914</u>

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

# Notes To The Financial Statements

## 1. CORPORATE INFORMATION

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

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

The numbers of employees in the Group and in the Company at the end of the financial year were 942 (2004 : 859) and 1 (2004 : 1) respectively. The accounting records of the Company are maintained by the employees of a subsidiary.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 April 2006.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

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

### (b) Basis of Consolidation

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

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

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

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

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

# Notes To The Financial Statements

## (c) Goodwill

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

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

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

## (d) Investment in Subsidiaries

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

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

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

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

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

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

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

## (f) Inventories

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

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

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

## (g) Cash and Cash Equivalentents

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

# Notes To The Financial Statements

## (h) Hire Purchase

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

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

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

## (i) Income Tax

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

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

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

## (j) Employee Benefits

### (i) Short term benefits

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

# Notes To The Financial Statements

(ii) Defined contributions plans

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

**(k) Revenue Recognition**

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

(i) Sale of goods

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

(ii) Dividend income

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

(iii) Management fee

Management fee is recognised on an accrual basis.

**(l) Impairment of Assets**

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

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

**(m) Foreign Currencies**

(i) Foreign currency transactions

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

(ii) Foreign entities

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

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

# Notes To The Financial Statements

	2005 RM	2004 RM
Vietnam Dong 1000	0.24	0.24
New Taiwan Dollar	0.12	0.11

## (n) Financial Instruments

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

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

### (i) Other Non-Current Investments

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

### (ii) Marketable Securities

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

### (iii) Trade Receivables

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

### (iv) Trade Payables

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

### (v) Interest-Bearing Borrowings

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

### (vi) Equity Instruments

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

# Notes To The Financial Statements

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

### 3. REVENUE

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Sales of goods	178,474,294	135,839,693	-	-
Dividend income from subsidiary	-	-	568,175	568,175
Management fees from subsidiaries	-	-	150,000	150,000
	<u>178,474,294</u>	<u>135,839,693</u>	<u>718,175</u>	<u>718,175</u>

### 4. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is stated after charging/(crediting):

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Auditors' remuneration				
- statutory audit				
- current year	161,406	103,621	25,000	25,000
- overprovision in prior year	(3,000)	-	-	-
- other services	46,215	143,684	7,000	110,250
Doubtful debts (written back)/ provided	(309,455)	167,547	-	-
Bad debts written off	11,417	-	-	-
Realised foreign exchange losses	237,459	-	-	-
Depreciation	9,264,757	5,054,625	-	-
Directors' remuneration (Note 5)	1,377,667	1,127,969	105,000	176,300
Rental expense	642,346	401,616	-	-
Gain on disposal of property, plant and equipment	(144,411)	(108,817)	-	-
Rental income	(31,600)	(29,600)	-	-
Gross dividend	(792)	(88)	(568,175)	(568,175)
Staff costs				
- Salaries and wages	13,645,214	9,240,845	96,000	24,000
- Defined contribution plan	1,082,758	808,340	11,520	2,880
- Other related costs	3,575,008	2,637,441	410	-

# Notes To The Financial Statements

## 5. DIRECTORS' REMUNERATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	593,880	643,625	7,500	52,000
Defined contribution plan	69,849	76,800	-	4,800
Fees	90,000	110,000	30,000	50,000
Benefits-in-kind	105,427	166,019	-	-
	<u>859,156</u>	<u>996,444</u>	<u>37,500</u>	<u>106,800</u>
Non-Executive:				
Fees	90,000	90,000	60,000	60,000
Other emoluments	7,500	9,500	7,500	9,500
	<u>97,500</u>	<u>99,500</u>	<u>67,500</u>	<u>69,500</u>
	<u>956,656</u>	<u>1,095,944</u>	<u>105,000</u>	<u>176,300</u>
<b>Directors of subsidiaries</b>				
Executive:				
Salaries and other emoluments	453,293	151,920	-	-
Defined contribution plan	43,145	16,124	-	-
Fees	30,000	30,000	-	-
	<u>526,438</u>	<u>198,044</u>	<u>-</u>	<u>-</u>
	<u>1,483,094</u>	<u>1,293,988</u>	<u>105,000</u>	<u>176,300</u>
<b>Analysis excluding benefits-in-kind</b>				
Total executive directors' remuneration	1,280,167	1,028,469	37,500	106,800
Total non-executive directors' remuneration	97,500	99,500	67,500	69,500
Total directors' remuneration (Note 4)	<u>1,377,667</u>	<u>1,127,969</u>	<u>105,000</u>	<u>176,300</u>

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

	2005	2004
Executive directors:		
RM50,001 - RM100,000	1	2
RM200,001 - RM250,000	1	1
RM500,001 - RM550,000	1	-
RM600,001 - RM650,000	-	1
Non-executive directors:		
Below RM50,000	3	3

# Notes To The Financial Statements

## 6. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current tax:				
Malaysian income tax	74,699	33,488	118,000	89,340
Overprovision in prior years	(1,115)	-	-	-
	<u>73,584</u>	<u>33,488</u>	<u>118,000</u>	<u>89,340</u>
Deferred tax (Note 12):				
Relating to origination and reversal of temporary differences	431,393	784,078	-	(20,340)
Under/(over)provided in prior years	35,716	(89,923)	-	-
	<u>467,109</u>	<u>694,155</u>	<u>-</u>	<u>(20,340)</u>
	<u>540,693</u>	<u>727,643</u>	<u>118,000</u>	<u>69,000</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004 : 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows :

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
(Loss)/profit before taxation	<u>(9,905,849)</u>	<u>1,078,949</u>	<u>268,634</u>	<u>166,252</u>
Taxation at 28% (2004 : 28%)	(2,773,638)	302,105	75,218	46,550
Effect of different tax rate in other countries	2,375,043	143,084	-	-
Effect of expenses not deductible for tax purposes	614,556	434,242	42,782	42,790
Effect of utilisation of previously unrecognised reinvestment allowances	-	(67,893)	-	-
Effect of income not subject to tax	(10,080)	(6,589)	-	-
Deferred tax asset recognised on unutilised losses	-	(20,340)	-	(20,340)
Deferred tax asset not recognised on unutilised losses	300,211	32,957	-	-
Overprovision of tax expense in prior years	(1,115)	-	-	-
Under/(over)provision of deferred tax in prior years	35,716	(89,923)	-	-
Tax expense for the year	<u>540,693</u>	<u>727,643</u>	<u>118,000</u>	<u>69,000</u>

# Notes To The Financial Statements

## 7. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share of the Group is calculated by dividing the net loss for the year of RM5,664,446 (2004 : profit of RM722,948) by the weighted average number of 75,250,601 (2004 : 66,416,867) ordinary shares in issue during the financial year.

## 8. DIVIDENDS

On 21 September 2004, the Company paid a final tax exempt dividend of 5% on 62,000,000 ordinary shares amounting to RM3,100,000 in respect of financial year ended 31 December 2003. The net dividend per ordinary share is 5 sen per ordinary share.

## 9. PROPERTY, PLANT AND EQUIPMENT

Group	Long term leasehold land RM	Short term leasehold land RM	Factory buildings RM	Plant and machinery RM	Other assets RM	Total RM
<b>Cost</b>						
At 1 January 2005	11,129,470	4,012,209	37,894,706	108,830,089	15,673,486	177,539,960
Additions	-	-	5,955,170	13,865,433	3,964,803	23,785,406
Disposals	-	-	-	(175,710)	(1,001,620)	(1,177,330)
Reclassification	-	-	6,670,565	(158,119)	(6,512,446)	-
Exchange differences	-	-	(105,723)	(473,871)	(87,253)	(666,847)
At 31 December 2005	11,129,470	4,012,209	50,414,718	121,887,822	12,036,970	199,481,189
<b>Accumulated Depreciation</b>						
At 1 January 2005	693,230	302,184	4,529,783	31,847,317	6,524,264	43,896,778
Charge for the year	129,527	92,733	932,173	6,866,707	1,243,617	9,264,757
Disposals	-	-	-	(28,085)	(929,094)	(957,179)
Reclassification	-	-	-	(2,236)	2,236	-
Exchange differences	-	-	-	-	(387)	(387)
At 31 December 2005	822,757	394,917	5,461,956	38,683,703	6,840,636	52,203,969
<b>Net Book Value</b>						
At 31 December 2005	10,306,713	3,617,292	44,952,762	83,204,119	5,196,334	147,277,220
At 31 December 2004	10,436,240	3,710,025	33,364,923	76,982,772	9,149,222	133,643,182
<b>Details as at 1 January 2004</b>						
Cost	8,959,470	927,765	15,154,840	59,325,556	10,739,656	95,107,287
Accumulated depreciation	468,821	109,565	1,997,009	17,637,591	3,789,694	24,002,680

# Notes To The Financial Statements

## Depreciation

<b>charge for 2004</b>	<u>103,693</u>	<u>37,049</u>	<u>543,438</u>	<u>3,648,412</u>	<u>722,033</u>	<u>5,054,625</u>
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(a) Other assets comprise motor vehicles, office equipment, furniture, fittings and office renovation and capital work in progress. The cost of work in progress at the end of the financial year was RM791,915 (2004 : RM5,122,921).

(b) Net book value of property, plant and equipment pledged to financial institutions for bank borrowings as referred to Note 17 are as follow:

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Long term leasehold land	10,292,156	10,436,240
Short term leasehold land	3,631,849	3,710,025
Factory buildings	44,952,762	33,364,923
Plant and machinery	82,260,340	75,680,789
Others	2,551,960	7,589,073
	<u>143,689,067</u>	<u>130,781,050</u>

(c) The cost of property, plant and equipment purchased during the financial year of RM23,785,406 (2004 : RM47,720,412) includes an amount of RM7,204,020 (2004 : RM5,472,400) which was financed under hire purchase arrangements.

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

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Plant and machinery	16,556,500	10,832,449
Motor vehicles	1,361,951	938,361
	<u>17,918,451</u>	<u>11,770,810</u>

## 10. INVESTMENT IN SUBSIDIARIES

	<b>Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares at cost	<u>96,497,035</u>	<u>92,332,285</u>

Details of the subsidiaries are as follows :

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2005	2004	
<b>Subsidiaries of the Company</b>				
Ornapaper Industry (M) Sdn. Bhd.	Malaysia	100	100	Manufacturing of corrugated boards and carton boxes
Ornapaper Industry (Batu Pahat) Sdn. Bhd.	Malaysia	100	100	Manufacturing of carton boxes

# Notes To The Financial Statements

Ornapaper Industry (Perak) Sdn. Bhd.	Malaysia	100	100	Manufacturing of corrugated boards and carton boxes
Ornapaper Industry (Johor) Sdn. Bhd.*	Malaysia	80	80	Manufacturing of carton boxes
Tripack Packaging (M) Sdn. Bhd.*	Malaysia	100	100	Manufacturing of cartons boxes
Ornapaper Vietnam Co. Ltd.*	Vietnam	55	55	Manufacturing of corrugated boards and carton boxes

## Subsidiary of Ornapaper Industry (M) Sdn. Bhd.

Hello Paper Co Ltd.*	Republic of China	52	52	Trading of wrapping paper materials
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\* Not audited by Ernst & Young

During the year, the Company subscribed for an allotment of 1,100,000 ordinary shares of USD1 each in Ornapaper Vietnam Company Limited for a consideration of USD1,100,000.

### (a) Acquisition of subsidiaries:

During the previous financial year, the Group acquired the following subsidiaries :

Name of subsidiary	Effective date of combination	Negative/ (positive) goodwill RM	Purchase consideration RM	Mode of settlement
Ornapaper Vietnam Co. Ltd.	4 August 2004	-	16,746,853	Cash
Ornapaper Industry (Perak) Sdn. Bhd.	1 September 2004	(1,573,698)	15,598,952	Issuance of 10,757,898 ordinary shares at RM1.45 per share
Tripack Packaging (M) Sdn. Bhd.	1 September 2004	61,523	2,492,401	Issuance of 1,718,897 ordinary shares at RM1.45 per share
Ornapaper Industry (Johor) Sdn. Bhd.	1 September 2004	(59,326)	1,122,018	Issuance of 773,806 ordinary shares at RM1.45 per share

# Notes To The Financial Statements

Hello Paper Co. Ltd.	8 November 2004	-	309,075	Cash
		<u>(1,571,501)</u>	<u>36,269,299</u>	

**(b) Effect of the acquisitions on the Group's financial results**

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

**(c) Effect of the acquisitions on the Group's financial position**

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

**(d) Fair values of assets acquired and liabilities assumed from the acquisition of the subsidiaries**

	<b>2004</b> <b>RM</b>
<b>Fair values:</b>	
Property, plant and equipment	20,957,281
Inventories	5,148,736
Trade and other receivables	20,424,633
Cash and bank balances	29,146,066
Tax recoverable	669,661
Borrowings	(12,728,970)
Trade and other payables	(12,691,733)
Deferred tax liabilities (Note 12)	(1,383,117)
Fair value of total net assets	<u>49,542,557</u>
Less : Minority interests	<u>(14,256,193)</u>
Group's share of net assets	35,286,364
Goodwill on consolidation (Note 25)	1,571,501
Cost of acquisition	<u>36,857,865</u>

# Notes To The Financial Statements

**Satisfied by:**

Cash	17,055,928
Ordinary shares issued at fair value (Note 21)	19,213,371
Total purchase consideration	36,269,299
Costs attributable to the acquisition, paid in cash	588,566
Total cost of acquisition	36,857,865

**Cash inflow arising on acquisition:**

Purchase consideration satisfied by cash	17,055,928
Costs attributable to the acquisition, paid in cash	588,566
Total cash outflow of the Group	17,644,494
Cash and cash equivalents of subsidiaries acquired	(29,146,066)
Net cash inflow of the Group	(11,501,572)

There were no acquisitions in the financial year ended 31 December 2005.

**11. OTHER INVESTMENTS**

	Group	
	2005	2004
At cost:	RM	RM
Quoted shares	19,400	19,400
Unquoted shares	225,000	225,000
Club membership	25,000	25,000
	<u>269,400</u>	<u>269,400</u>
Market value of quoted shares	<u>14,840</u>	<u>19,590</u>

**12. DEFERRED TAX ASSETS/LIABILITIES**

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
At 1 January	9,330,272	7,253,000	(20,340)	-
Acquisition of subsidiaries	-	1,383,117	-	-
Recognised in income statement (Note 6)	467,109	694,155	-	(20,340)
At 31 December	<u>9,797,381</u>	<u>9,330,272</u>	<u>(20,340)</u>	<u>(20,340)</u>

Presented after appropriate offsetting as follows:

Deferred tax assets	(125,523)	(157,011)	(20,340)	(20,340)
Deferred tax liabilities	9,922,904	9,487,283	-	-
	<u>9,797,381</u>	<u>9,330,272</u>	<u>(20,340)</u>	<u>(20,340)</u>

# Notes To The Financial Statements

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

Group	As at 1 January	Acquisition of subsidiaries	Recognised in income statement	As at 31 December
<b>2005</b>				
Property, plant and equipment	9,753,440	-	237,785	9,991,225
Unutilised tax losses	(175,384)	-	7,866	(167,518)
Unabsorbed capital allowances	(247,784)	-	221,458	(26,326)
	<u>9,330,272</u>	<u>-</u>	<u>467,109</u>	<u>9,797,381</u>
<b>2004</b>				
Property, plant and equipment	7,540,000	1,526,722	686,718	9,753,440
Trade receivables	(287,000)	-	287,000	-
Unutilised tax losses	-	-	(175,384)	(175,384)
Unabsorbed capital allowances	-	(143,605)	(104,179)	(247,784)
	<u>7,253,000</u>	<u>1,383,117</u>	<u>694,155</u>	<u>9,330,272</u>

Company	As at 1 January	Recognised in income statement	As at 31 December
<b>2005</b>			
Unutilised tax losses	(20,340)	-	(20,340)
	<u>(20,340)</u>	<u>-</u>	<u>(20,340)</u>
<b>2004</b>			
Unutilised tax losses	-	(20,340)	(20,340)
	<u>-</u>	<u>(20,340)</u>	<u>(20,340)</u>

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2005	2004
	RM	RM
Unutilised tax losses	<u>10,063,492</u>	<u>787,935</u>

The unutilised losses, which are in respect of a foreign subsidiary, are available for offset against future taxable profits of that subsidiary up to year 2010.

## 13. INVENTORIES

	Group	
	2005	2004
	RM	RM
At cost :		
Raw materials and consumables	22,685,979	24,199,377
Work-in-progress	181,758	-
Finished goods	1,857,844	1,687,472
	<u>24,725,581</u>	<u>25,886,849</u>

# Notes To The Financial Statements

14. TRADE RECEIVABLES	Group	
	2005 RM	2004 RM
Trade receivables	75,908,725	56,060,346
Less : Provision for doubtful debts	(2,095,498)	(2,455,020)
	<u>73,813,227</u>	<u>53,605,326</u>
Related parties	741,306	478,086
	<u>74,554,533</u>	<u>54,083,412</u>

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

The Group's normal credit term ranges from 30 to 120 (2004: 30 to 120) days. Other credit terms are assessed and approved on a case-by-case basis. Overdue interest of 0.50% to 1.50% (2004 : 0.75% to 1.50%) per month is charged on the amount due from certain debtors exceeding credit terms.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or groups of debtors except for an amount due from two debtors which represents 21% (2004 : 26%) of the total gross debts. These said debtors have strategic alliances with the Group.

15. OTHER RECEIVABLES	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Deposits and prepayments	1,311,613	1,291,618	17,011	15,682
Other receivables	1,558,609	3,209,007	-	-
Due from subsidiaries	-	-	20,833	10,833
	<u>2,870,222</u>	<u>4,500,625</u>	<u>37,844</u>	<u>26,515</u>

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

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

## 16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash on hand and at banks	6,514,795	14,542,582	16,534	13,914
Deposit with a licensed bank	42,561	39,876	-	-
Cash and bank balances	<u>6,557,356</u>	<u>14,582,458</u>	<u>16,534</u>	<u>13,914</u>
Less: Bank overdrafts (Note 17)	(3,957,677)	(2,220,387)	-	-
	<u>2,599,679</u>	<u>12,362,071</u>	<u>16,534</u>	<u>13,914</u>

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

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

# Notes To The Financial Statements

	Weighted Average Interest Rate		Average Maturity Days	
	2005	2004	2005	2004
Deposit with a licensed bank	3.7%	4.0%	365	365

## 17. BORROWINGS (SECURED)

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
<b>Short Term Borrowings</b>				
Bank overdrafts (Note 16)	3,957,677	2,220,387	-	-
Bankers' acceptances	50,790,720	48,548,399	-	-
Trust receipts	5,926,342	6,372,890	-	-
Term loans	19,845,931	6,611,399	532,000	-
Hire purchase payables (Note 18)	3,908,333	2,452,398	-	-
	<u>84,429,003</u>	<u>66,205,473</u>	<u>532,000</u>	<u>-</u>

### Long Term Borrowings

Secured :

Term loans	21,341,438	23,885,317	2,128,000	2,660,000
Hire purchase payables (Note 18)	9,722,100	6,897,945	-	-
	<u>31,063,538</u>	<u>30,783,262</u>	<u>2,128,000</u>	<u>2,660,000</u>

### Total Borrowings

Bank overdrafts	3,957,677	2,220,387	-	-
Bankers' acceptances	50,790,720	48,548,399	-	-
Trust receipts	5,926,342	6,372,890	-	-
Term loans	41,187,369	30,496,716	2,660,000	2,660,000
Hire purchase payables	13,630,433	9,350,343	-	-
	<u>115,492,541</u>	<u>96,988,735</u>	<u>2,660,000</u>	<u>2,660,000</u>

### Maturity of borrowings (excluding hire purchase):

Within one year	80,520,670	63,753,075	532,000	-
More than one year and not later than 2 years	10,245,432	6,181,299	532,000	1,330,000
More than 2 years and not later than 5 years	11,096,006	6,278,744	1,596,000	1,330,000
Later than 5 years	-	11,425,274	-	-
	<u>101,862,108</u>	<u>87,638,392</u>	<u>2,660,000</u>	<u>2,660,000</u>

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

	Group		Company	
	2005	2004	2005	2004
	%	%	%	%
Bank overdrafts	7.76	7.25	-	-
Bankers' acceptances	3.54	3.18	-	-
Trust receipts	7.25	7.25	-	-
Term loans	6.06	4.21	6.83	4.87

# Notes To The Financial Statements

The borrowings are secured by certain assets of the Group and a debenture covering fixed and floating charges over all the assets of a subsidiary as disclosed in Note 9 and additionally guaranteed by a director of a subsidiary and certain directors of the Company. The borrowing of the Company is additionally guaranteed by a subsidiary.

## 18. HIRE PURCHASE PAYABLES

	Group	
	2005 RM	2004 RM
<b>Minimum hire purchase payments :</b>		
Within one year	4,682,284	3,172,006
Later than one year and not later than 2 years	3,930,076	3,047,772
Later than 2 years and not later than 5 years	6,928,242	4,747,152
	<u>15,540,602</u>	<u>10,966,930</u>
Less : Future finance charges	(1,910,169)	(1,616,587)
	<u>13,630,433</u>	<u>9,350,343</u>
<b>Present value of hire purchase liabilities :</b>		
Within one year	3,908,333	2,452,398
Later than one year and not later than 2 years	3,448,250	2,566,294
Later than 2 years and not later than 5 years	6,273,850	4,331,651
	<u>13,630,433</u>	<u>9,350,343</u>
<b>Analysed as :</b>		
Due within 12 months (Note 17)	3,908,333	2,452,398
Due after 12 months (Note 17)	9,722,100	6,897,945
	<u>13,630,433</u>	<u>9,350,343</u>

The hire purchase liabilities bore interest at the balance sheet date of between 2.50% to 5.50% (2004 : 3.30% to 5.50%) per annum.

## 19. TRADE PAYABLES

The credit terms granted to the Group range from 30 to 120 (2004: 30 to 120) days.

## 20. OTHER PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Due to a subsidiary	-	-	7,153,286	3,057,022
Supplier of property, plant and equipment	687,600	687,600	-	-
Other payables and accruals	7,100,100	3,736,840	15,750	51,000
	<u>7,787,700</u>	<u>4,424,440</u>	<u>7,169,036</u>	<u>3,108,022</u>

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

## 21. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2005	2004	2005 RM	2004 RM
<b>Authorised</b>				
At 1 January/31 December	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

# Notes To The Financial Statements

## Issued and fully paid

At 1 January	75,250,601	62,000,000	75,250,601	62,000,000
Issued during the year pursuant to acquisition of subsidiaries	-	13,250,601	-	13,250,601
At 31 December	<u>75,250,601</u>	<u>75,250,601</u>	<u>75,250,601</u>	<u>75,250,601</u>

## 22. SHARE PREMIUM

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

## 23. FOREIGN EXCHANGE RESERVE

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

## 24. RETAINED PROFITS

As at 31 December 2005, the Company has tax exempt profits available for distribution of approximately RM309,000 (2004 : RM309,000), subject to the agreement with the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2005.

## 25. NEGATIVE GOODWILL ON CONSOLIDATION

Group	Negative Goodwill RM	Goodwill RM	Total RM
At 1 January 2004	4,753,667	-	4,753,667
Acquisition of subsidiaries (Note 10)	61,523	(1,633,024)	(1,571,501)
At 31 December 2004/31 December 2005	<u>4,815,190</u>	<u>(1,633,024)</u>	<u>3,182,166</u>

## 26. COMMITMENTS

	Group	
Capital Commitments	2005 RM	2004 RM
Capital expenditure approved and contracted for:		
Property, plant and equipment	<u>132,368</u>	<u>2,578,000</u>
<b>Non-Cancellable Operating Lease Commitments</b>		
Future minimum rentals payable:		
Later than 5 years	<u>760,360</u>	<u>784,000</u>

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

# Notes To The Financial Statements

## 27. CONTINGENT LIABILITIES

	Company	
	2005	2004
	RM	RM
Unsecured corporate guarantees given to bank for credit facilities granted to subsidiaries	75,537,000	54,070,000

## 28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group	
	2005	2004
	RM	RM
Sales to companies in which Tay Kim Huat, a director of a fellow subsidiary has indirect interest :		
Poh Huat Furniture Industries Vietnam Limited	2,064,347	-
Poh Huat Furniture Industries (M) Sdn. Bhd.	2,190,304	867,649
Poh Huat Woodwork (M) Sdn. Bhd.	134,984	64,263

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

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

## 29. FINANCIAL INSTRUMENTS

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

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

### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Company had no substantial long-term interest-bearing assets as at 31 December 2005.

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

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

### (c) Foreign Exchange Risk

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

# Notes To The Financial Statements

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

	Financial Assets/(Liabilities)	
	2005	2004
	RM	RM
Trade receivables	84,122	96,910
Other receivables	51,422	-
Trade payables	(7,583,876)	(4,018,535)
Other payables	(28,342)	(140,359)
Term loan	(40,509,686)	(29,544,001)
	<u>(47,986,360)</u>	<u>(33,605,985)</u>

## (d) Liquidity Risk

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

## (e) Credit Risk

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

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

## (f) Fair Values

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

## 30. SEGMENT INFORMATION

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

The Group operates in two principal geographical areas in the Asia-Pacific region and is principally involved in manufacturing of corrugated board and carton boxes.

	Malaysia	Vietnam	Others	Group
	RM	RM	RM	RM
<b>31 December 2005</b>				
<b>Revenue</b>				
External sales	160,444,096	17,852,349	177,849	178,474,294

# Notes To The Financial Statements

## Results

Profit/(loss) from operations	4,456,348	(9,210,636)	(204,520)	(4,958,808)
Interest income	442,546	21,747	629	464,922
Interest expense	(4,263,849)	(1,148,114)	-	(5,411,963)
Profit/(loss) before taxation	635,045	(10,337,003)	(203,891)	(9,905,849)
Taxation	(540,693)	-	-	(540,693)
Net profit/(loss) after tax	94,352	(10,337,003)	(203,891)	(10,446,542)
Minority interests	(326,656)	5,006,223	102,529	4,782,096
Net loss for the year	(232,304)	(5,330,780)	(101,362)	(5,664,446)

	Malaysia RM	Vietnam RM	Others RM	Group RM
<b>Assets/Liabilities</b>				
Segment assets	187,837,685	69,826,373	390,211	258,054,269
Segment liabilities	112,200,019	43,435,387	1,006	155,636,412
<b>Other information</b>				
Capital expenditure	10,128,272	13,650,567	6,567	23,785,406
Depreciation	6,723,614	2,530,300	10,843	9,264,757
Other non-cash income	(298,038)	-	-	(298,038)

## 31 December 2004

### Revenue

External sales	135,838,486	-	1,207	135,839,693
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### Results

Profit/(loss) from operations	4,225,431	(646,545)	(11,415)	3,567,471
Interest income	473,989	7,645	-	481,634
Interest expense	(2,821,121)	(149,035)	-	(2,970,156)
Profit/(loss) before taxation	1,878,299	(787,935)	(11,415)	1,078,949
Taxation	(727,643)	-	-	(727,643)
Net profit/(loss) after tax	1,150,656	(787,935)	(11,415)	351,306
Minority interests	11,635	354,571	5,436	371,642
	1,162,291	(433,364)	(5,979)	722,948

### Assets/Liabilities

Segment assets	180,758,272	52,950,230	642,936	234,351,438
Segment liabilities	101,050,210	23,286,306	64,463	124,400,979

### Other information

Capital expenditure	7,514,574	40,147,188	58,650	47,720,412
Depreciation	5,028,649	24,888	1,088	5,054,625
Other non-cash expenses	167,547	-	-	167,547

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

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

# List Of Landed Properties

<b>LIST OF LANDED PROPERTIES</b>						
Registered Owner	Title / Location	Land Area (Square Metres)	Tenure From / To	Existing Use	Approximate Age of Building (Years)	Date of Acquisition
OISB(M)	H. S. (M) 455 to H. S. (M) 470 Lot PT4944 to PT4959 Mukim Of Baebang, District of Melaka Tengah, Melaka	33,720	Leasehold 99 Years Expiring on 24/09/2094	Industrial	9	16-Jan-96
OISB(M)	H. S. (M) 471 to H. S. (M) 475 Lot PT4960 to PT4964 Mukim Of Baebang, District of Melaka Tengah, Melaka	17,246	Leasehold 99 Years Expiring on 24/09/2094	Industrial		4-Mar-02
PKNM *	Lot PT 6127, Kawasan Perindustrian Batu Berendam IV, Melaka	6,822		Industrial (Former Service Road)		1-Aug-03
OISB(BP)	Factory No.: 8998 Kawasan Perindustrian Batu Berendam (Phase IV) (Taman Perindustrian Batu Berendam), Batu Berendam, Melaka.	13,067	Leasehold 60 Years Expiring on 10/07/2060	Industrial	8	27-Oct-97
OISB (PERAK)	H. S. (D) 43098 Lot No. PLO 271 (PTD39208), Mukim Of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim	42,808	Leasehold 60 Years expiring on 2/1/2051	Industrial	15	25-May-90
TPSB	Factory No. PLO 271, Jalan Wawasan 5, Kawasan Perindustrian Sri Gading, 83009 Batu Pahat, Johor Darul Takzim	10,604	Leasehold 99 Years Expiring on 7/4/2075	Industrial	26	19-Jun-00
OISB(JOHOR)	H.S. (D) 235151 Lot P.T.D 113285 Mukim of Pleatong, District of Johor Bahru, State of Johor	708	Freehold	Industrial	12	14-Mar-02
OV	Factory No. 33, Jalan Cenderai 6, Taman Perindustrian Kota Puteri, 81750 Masai, Johor.	109,476	Leasehold 50 Years Expiring on 3/10/2053	Industrial	2	3-Oct-03
PKNM *	Factory No. Rinh Son Villages, Long Thanh District, Dong Nai Province, Vietnam					
<b>Notes:-</b> 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. OV Ornapaper Vietnam Co., Ltd PKNM * Perbadanan Kemajuan Negeri Melaka OISB(M) had purchased the land from PKNM as per Sale and Purchase agreement Dated 01/08/2003						

# Shareholding Statistic

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

## DISTRIBUTION OF SHAREHOLDERS

Range	No. of		No. of shares	
	Shareholders	%		%
1 to 99	6	0.30	339	-
100 to 1,000	520	25.86	499,310	0.66
1,001 to 10,000	1,192	59.27	5,288,300	7.03
10,001 to 100,000	258	12.83	7,688,755	10.22
100,001 to 3,762,529	31	1.54	15,128,770	20.10
3,762,530 and above	4	0.20	46,645,127	61.99
	<b>2,011</b>	<b>100.00</b>	<b>75,250,601</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Intisari Delima Sdn Bhd	18,634,888	24.76	-	-
Lembaga Tabung Haji	14,268,545	18.96	-	-
Datuk Dr. Ting Chung Cheng	8,368,649	11.12	^ 2,000,000	2.66
Lim Tau Lih	5,373,045	7.14	-	-
Ang Kwee Teng	-	-	* 18,634,888	24.76
See Wan Seng	-	-	* 18,634,888	24.76
Sai Chin Hock	-	-	# 21,227,212	28.21

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

Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Datuk Dr. Ting Chung Cheng	8,368,649	11.12	^ 2,000,000	2.66
Tuan Haji Azhar bin Nayan	25,000	0.03	-	-
Siow Kee Yen	5,000	0.01	-	-
Adillah binti Ahmad Nordin	4,000	0.01	-	-
Ang Kwee Teng	-	-	* 18,634,888	24.76
See Wan Seng	-	-	* 18,634,888	24.76

Notes:-

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

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

^ Deemed interest through his spouse, Datin Ting Hsu Po Hsiang

# Shareholding Statistic

## THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

Name	No. of Shares	%
1. INTISARI DELIMA SDN BHD	18,634,888	24.76
2. LEMBAGA TABUNG HAJI	14,268,545	18.96
3. TING CHUNG CHENG	8,368,649	11.12
4. LIM TAU LIH	5,373,045	7.14
5. HSU, FANG-SZU	2,866,915	3.81
6. SAI SEAK CHYUAN	2,133,000	2.83
7. TING HSU PO HSIANG	2,000,000	2.66
8. HSU, YAO-JIH	1,185,300	1.58
9. YANG, WEI-CHEN	990,489	1.32
10. HSU, FANG-SZU	550,000	0.73
11. CHIEW TEO ANN	504,100	0.67
12. CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR MLPFSI(FOREIGN)	494,400	0.66
13. PILIHAN SISTEMATIK SDN BHD	459,324	0.61
14. TAN CHIN HWEE	435,586	0.58
15. JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES A/C FOR HON MENG HENG	410,100	0.54
16. HUANG, CHIEN-YI	200,000	0.27
17. TEH CHENG HO	200,000	0.27
18. MAH CHET HONG	196,000	0.26
19. ANG SIEW YING	192,256	0.26
20. CHUAH AH TECHIK	180,000	0.24
21. JOLLY WOOD SDN BHD	180,000	0.24
22. LEE,YAO-TUNG @ TONG LEE	161,800	0.22
23. NG RHO SHII	154,000	0.20
24. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES A/C FOR LAU SIE KWONG	154,000	0.20
25. LIN TANG-MING	151,000	0.20
26. BILLY WOOD INDUSTRIAL SDN BHD	150,000	0.20
27. CHENG HO SHU HUEI	150,000	0.20
28. RIGHT WAY INDUSTRIAL (MALAYSIA) SDN BHD	150,000	0.20
29. CHAN FOONG CHENG	144,000	0.19
30. CHEONG AH YOON	139,200	0.18
	61,176,597	81.30

# Form of Proxy

**FORM OF PROXY**

No. of Shares Held

I / We \_\_\_\_\_ NRIC No. \_\_\_\_\_

Of (full address) \_\_\_\_\_

Being a member / members of ORNAPAPER BERHAD, hereby appoint \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_

or failing him, \_\_\_\_\_ of \_\_\_\_\_ or

failing him the Chairman of the Meeting as my / our proxy to vote for me / us and on my / our behalf at the Fourth Annual General Meeting of the Company, to be held at Bunga Teratai, 7<sup>th</sup> Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Thursday, 29 June 2006 at 10.30 am and at any adjournment thereof.

**ORDINARY RESOLUTIONS**

	FOR	AGAINST
1. To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the Directors' Report and the Auditors' Report thereon.		
2. To approve the payment of Directors' Fees for the financial year ended 31 December 2005.		
3. To re-elect Tuan Haji Azhar bin Nayan who shall retire in accordance with Article 92 of the Company's Articles of Association.		
4. To re-elect Puan Adillah binti Ahmad Nordin who shall retire in accordance with Article 92 of the Company's Articles of Association.		
5. To re-appoint Messrs Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration.		
6. Ordinary Resolution as regards to Section 132D of the Companies Act, 1965.		

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

As witness my / our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

Signature \_\_\_\_\_

- Notes
1. A member entitled to attend and to vote at this Meeting is entitled to appoint more than two (2) proxies to attend and to vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.
  2. If the appointer is a corporation, the form of proxy must be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
  3. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
  4. The instrument appointing a proxy and the power of attorney or other authority, if any, must be deposited at the Registered Office of the Company at Lot 1A, 6<sup>th</sup> Floor, Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra, Batu Berendam, 75350 Melaka not less than forty-eight (48) hours before the time fixed for holding the meeting or at any adjournment thereof.

*Fold this flap for sealing*

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*Then flap here*

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**AFFIX  
STAMP  
HERE**

***THE COMPANY SECRETARY***  
**Lot 1A, 6th Floor, Menara Pertam, Jalan BBP 2,**  
**Taman Batu Berendam Putra, Batu Berendam,**  
**753550 Melaka.**

*1st flap here*

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