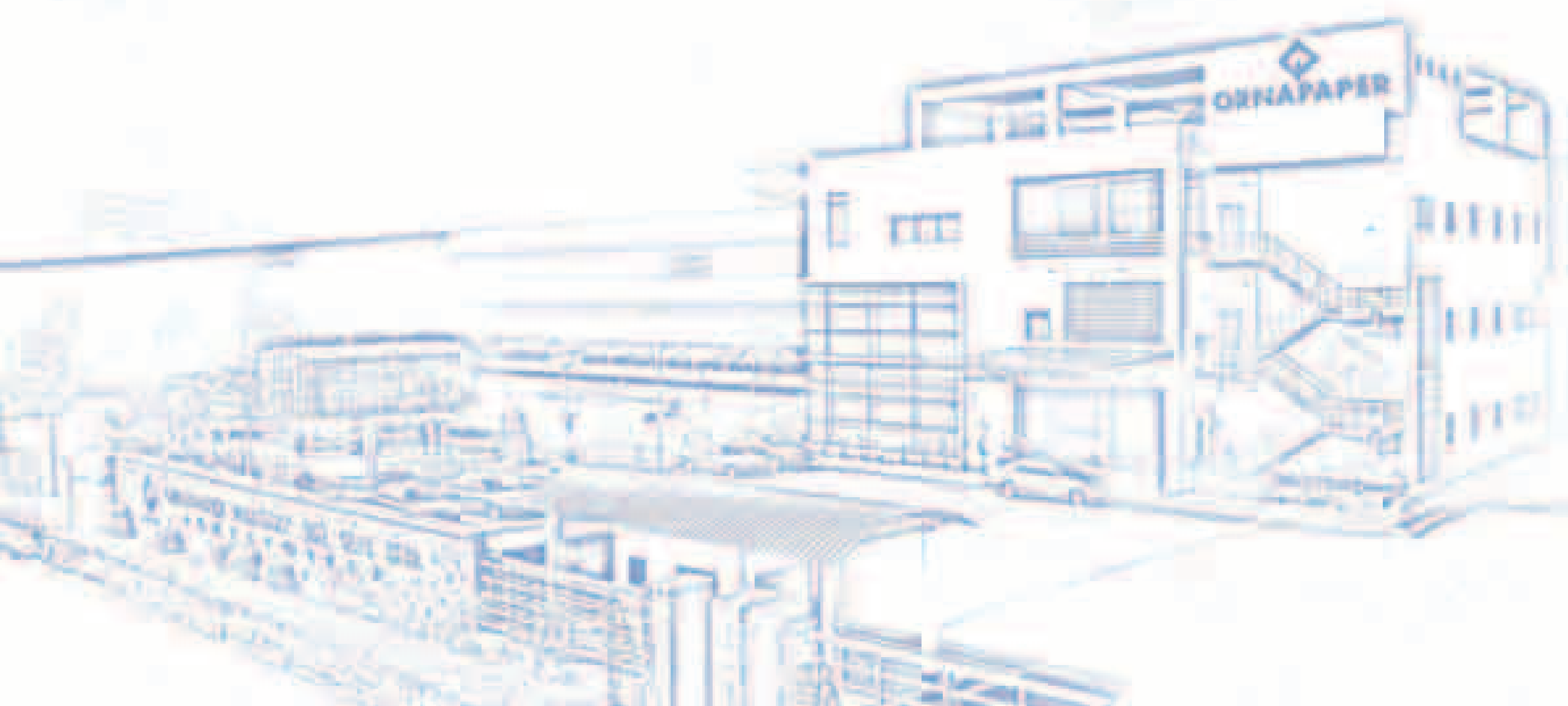
ANNUAL REPORT 2006

ORNAPAPER

ORNAPAPER BERHAD (573695-W)

Contents



Notice Of The Fifth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of ORNAPAPER BERHAD will be held at the Conference Room at No. 8998, Kawasan Perindustrian Peringkat 4, Batu Berendam, 75350 Melaka on Friday, 29 June 2007 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2006 together with the Reports of the Directors and the Auditors thereon. (Resolution 1)

2. To approve the payment of Directors' Fees for the financial year ended 31 December 2006. (Resolution 2)

3. To re-elect the following Directors who retire pursuant to Article 92 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Mr. See Wan Seng (Resolution 3)
   (b) Mr. Ang Kwee Teng (Resolution 4)

4. To re-elect Mr. Lim Tau Lih, the Managing Director who retires pursuant to Article 98 of the Company's Articles of Association and being eligible, has offered himself for re-election. (Resolution 5)

5. 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 6)

6. **As Special Business**

   To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions and Special Resolution:-

   Ordinary Resolution
   - Authority To Issue Shares Pursuant to Section 132D of the Companies Act, 1965 (Resolution 7)

   "THAT, subject to Section 132D of the Companies Act, 1965 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Ordinary Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Notice Of The Fifth Annual General Meeting

Ordinary Resolution
- Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature (Resolution 8)

"THAT, subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into any of the category of recurrent transactions of a revenue or trading nature as set out in Section 2.3 of the Company's Circular to Shareholders dated 5 June 2007 with the related parties mentioned therein which are necessary for Ornapaper Berhad Group's day-to-day operations subject further to the following:

(a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those available to the public and on terms not to the detriment of the minority shareholders; and

(b) disclosure is made in the annual report of the breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year based on the following information:

(i) the types of recurrent related party transactions made; and

(ii) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

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

(a) the conclusion of the next Annual General Meeting (AGM) of the Company following the forthcoming AGM at which such Proposed Shareholder's Mandate was passed, at which time it will lapse, unless by a resolution passed at an AGM whereby the authority is renewed;

(b) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to the provisions of the Act; or

(c) revoked or varied by resolution passed by the shareholders in an AGM or Extraordinary General Meeting,

whichever is earlier;

AND the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/ or authorised by this resolution."

Notice Of The Fifth Annual General Meeting

Special Resolution
- Proposed Amendments to the Articles of Association of the Company (Resolution 9)

"THAT the proposed amendments to the Articles of Association of the Company as set out in the Appendix I to the Circular to Shareholders dated 5 June 2007 be and are hereby approved and adopted AND THAT, the Board of Directors be and is hereby authorised to give effect to the said amendments."

7. To transact any other ordinary business for which due notice has been given.

By Order of the Board
Chua Siew Chuan (MAICSA 0777689)
Sean Ne Teo (LS 008058)
Company Secretaries

Melaka
05 June 2007

Explanatory Notes To Special Business:-

1. The proposed adoption of the Ordinary Resolution 7 is primarily to give flexibility to the Board of Directors to issue and allot shares to such person at any time in their absolute discretion without convening a general meetings.

2. The proposed adoption of the Ordinary Resolution 8 is to approve the shareholders' mandate to enable the Company and its subsidiaries to enter into any of the recurrent related party transactions of a revenue of trading nature which are necessary for ORNA Group's day to day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

3. The proposed adoption of the Special Resolution is to enable the Company to adopt recent amendments made to the Listing Requirements of Bursa Malaysia Securities Berhad, where applicable, in its Articles of Association.

Notes:

(i) 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.
Shareholders' attention is hereby drawn to the Listing Requirements of Bursa Malaysia Securities Berhad which came into force on 1 June 2001 which allows a member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991 to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

Notice Of The Fifth Annual General Meeting

(ii) If the appointor 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.

(iii) 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.

(iv) The instrument appointing a proxy and the power of attorney or other authority, if any, must be deposited at the Registered Office of the Company at Lot 1A, 6th Floor, Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra, Batu Berendam, 75350 Melaka not less than forty-eight (48) hours before the time fixed for holding the meeting or at any adjournment thereof.

Statements Accompanying Notice of Annual General Meeting

[Pursuant to paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad]

1. Directors who are standing for re-election at the Fifth Annual General Meeting of the Company are as follows:-

   * Mr. See Wan Seng
   * Mr. Ang Kwee Teng
   * Mr. Lim Tau Lih

2. Details of Directors standing for re-election are as follows:

*** Mr. See Wan Seng**

Age	: 60
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 : Indirect – 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. Ang Kwee Teng**

Age	: 57
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 : Indirect – 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

Statements Accompanying Notice of Annual General Meeting

*** Mr. Lim Tau Lih**

Age	: 49
Nationality	: Malaysian
Designation/ Position in the Company	: Managing Director
Date of appointment	: 30 October 2006
Qualification	: Member of Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants
Work experience	: Manager of Coopers & Lybrand (1991 to 1996), Manager of Ernst & Young (1987 to 1991), Non-Executive Partner of Lim Tau Lih & Co.
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	Direct – 5,374,045 shares : Indirect – 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

3. During the financial year ended 31 December 2006, six (6) Board meetings were held and the attendance of Board members were as follows:

Directors	**Attendance**
Datuk Dr. Ting Chung Cheng	6/6
Ang Kwee Teng	6/6
Azhar bin Nayan	5/6
Adillah binti Ahmad Nordin	5/6
See Wan Seng	6/6
Siow Kee Yen	5/6
Lim Tau Lih	2/2

Mr. Lim Tau Lih was appointed as a Director cum Joint Managing Director of the Company with effected from 30 October 2006.

4. Details of type, place, date and hour of Fifth Annual General Meeting are as follows:

Type : Fifth Annual General Meeting
Date : 29 June 2007
Time : 10.30 a.m.
Venue : No. 8998 Kawasan Perindustrian Peringkat 4,
Batu Berendam, 75350 Melaka

Profile of The Board of Director

Mr Lim Tau Lih

Age	: 49
Nationality	: Malaysian
Designation/ Position in the Company	: Managing Director
Date of appointment	: 30 October 2006
Qualification	: Member of Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants
Work experience	: Manager of Coopers & Lybrand (1991 to 1996), Manager of Ernst & Young (1987 to 1991), Non-Executive Partner of Lim Tau Lih & Co.
Directorship in other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct – 5,374,045 shares
	: Deemed – Nil
Family relationship with any directors and/ or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 10 years	: Nil

Tuan Haji Azhar bin Nayan

Age	: 44
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	: 60
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 on other Public Companies	: Nil
Securities holding in the Company and its subsidiaries	: Direct - Nil
	: Deemed - 18,634,888 shares
Family relationship with any director and / or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of Conviction for offences within the past 10 years	: Nil

Mr Siow Kee Yen

Age	: 36
Nationality	: Malaysian
Designation / Position in the Company	: Independent Non-Executive Director
Date of appointment	: 2 December 2002
Qualification	: Member of Malaysian Institute of Accountants Honours Degree in Bachelor of Accountantcy
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	: 38
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	: 57
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	: Lim Tau Lih *Managing Director* Ang Kwee Teng *Executive Director* See Wan Seng *Executive Director* Azhar bin Nayan *Non-Executive Director* Siow Kee Yen *Independent Non-Executive Director* Adillah binti Ahmad Nordin *Independent Non-Executive Director*
AUDIT COMMITEE	Chairman Siow Kee Yen *Independent Non-Executive Director* Commitee Member Adillah binti Ahmad Nordin *Independent Non-Executive Director* Azhar bin Nayan *Non-Executive Director*
SECRETARIES	Chua Siew Chuan (MAICSA 0777689) Sean Ne Teo (LS 008058)
REGISTERED OFFICE	Lot 1A, 6th Floor Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra Batu Berendam, 75350 Melaka. Tel: 06-3355210 Fax: 06-3355570
NOMINATION COMMITTEE	Chairman Siow Kee Yen *Independent Non-Executive Director* Committee Member Adillah binti Ahmad Nordin *Independent Non-Executive Director* Azhar bin Nayan *Non-Executive Director*

Corporate Information

REMUNERATION COMMITTEE	: Chairman Adillah binti Ahmad Nordin *Independent Non-Executive Director* Committee Member Siow Kee Yen *Independent Non-Executive Director* Azhar bin Nayan (effective from 7-2-2007) *Non-Executive Director*
REGISTRAR	Tenaga Koperat Sdn Bhd Tingkat 20, Plaza Permata, Jalan Kampar Off Jalan Tun Razak 50400 Kuala Lumpur. Tel: 03-4041 6522 Fax: 03-4042 6352
AUDITOR	Ernst & Young Lot 1A, 6th Floor Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra 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 2006.

PERFORMANCE AND FINANCIAL REVIEWS

For the financial year under review, the Group recorded a post tax loss after minority interest of RM3.02 million (2005: RM5.70 million) on a group turnover of RM204.3 million (2005: RM178.5 million). The subsidiary company Ornapaper Vietnam's performance has improved with a reduced loss of RM7.45 million (2005: RM10.30 million).

DIVIDEND

No dividend has been declared in respect of financial year ended 31 December 2006.

PROSPECTS FOR 2007

The group turned in much improved performance towards end of 2006. This was achieved by implementing a series of measures aimed at increasing revenue and reducing direct cost and overheads. The Management will continue to implement such sound measures to further improve on the Group's operations.

The industry will remain competitive. The Management is formulating the Group's marketing strategies and its operations with anticipation that raw material prices will increase further and cartons and board prices will be competitive.

APPRECIATION

On behalf of the Board, I extend our thanks to the supportive shareholders, bankers, business partners and government authorities for all the help and support. For the management and production staff, we valued your dedication to the Group.

To my fellow board members for their trust, advice and guidance granted in the last few months, my sincere thanks and gratitude.

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 08 to 10 of this Annual Report.

The Board balance is reflected through the contributions of Independent Non-Executive Directors. The Independent Non-Executive Directors provide objective and independent judgement to facilitate balance leadership of the Group as well as to safeguard interest of the minority shareholders and other stakeholders by ensuring the highest standard of conduct and integrity are maintained by the Group. The Non-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 20 to 22), Remunerations 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 six (6) times during the financial year ended 31 December 2006.

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

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

Board Committees

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

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

Audit Committee

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

Corporate Governance Statement

Nomination Committee

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

Chairman

Siow Kee Yen - Independent Non-Executive Director

Members:

Adillah binti Ahmad Nordin - Independent Non-Executive Director

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

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 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 2006 with all members present.

Corporate Governance Statement

DIRECTORS REMUNERATION

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

	Executive Directors RM'000	Non-Executive Directors RM'000
Salary and other emoluments	650	9
Defined contribution plan	72	-
Fees	120	93
Benefit in kind	63	-

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

	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	3
RM50,001 – RM100,000	2	-
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.

Corporate Governance Statement

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.

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 23 to 24 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 20 to 22.

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.

Corporate Governance Statement

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 2006 was RM94,432.

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 2006, 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 of the Company is made up of the following members:

No.	Name	Designation	Directorship
1.	Siow Kee Yen	Chairman	Independent Non- Executive Director
2.	Adillah binti Ahmad Nordin	Member	Independent Non- Executive Director
3.	Azhar bin Nayan	Member since 24th April 2007	Non-Executive Director

OBJECTIVES

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

COMPOSITION

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

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

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

Audit Committee Report

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.

MEETING

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

The Audit Committee held four (4) meetings during the financial year ended 31 December 2006. Details of attendance of the Committee Members are as follows :-

Directors	*Attendance of Meetings*
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.

Audit Committee Report

(e) Reviewed the quarterly results and year end financial statements prior to the approval by the Board of Directors focusing particularly on :-
- changes in or implementation of major accounting policy changes,
- significant and unusual events, and
- compliance with accounting standards and other legal requirements.

(f) Reviewed the related party transactions and conflict of interest situation that may arise within the Group including any transactions, procedure or course of conduct that raises questions of Management integrity.

FUNCTIONS

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

1. Review the following and report the same to the Board of Directors of the Company:-

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

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

Statement On Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance (“the Code”) requires the Board of Directors (“the Board”) of listed companies to maintain a sound system of internal control to safeguard shareholders’ investment and Group assets. Pursuant to this requirement, the Board is pleased to provide the following statement in compliance with paragraph 15.27(b) of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Listing Requirements and the Statement on Internal Controls : Guideline for Directors of Public Listed Companies.

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 for 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 but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

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

The Management Committee 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.

INTERNAL CONTROL MECHANISM

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

Statement On Internal Control

The MD plays a pivotal role in communicating the Board's expectations of the systems 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 comprises Heads of Department together with the General Manager, who 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.

The other key elements of the Group's existing system of internal controls are as follows:

* 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 reports to the MD containing both financial and non-financial information.
* Employee Handbook 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 for certain subsidiaries. Results of these audits are reported to the MD.

The system of internal controls was satisfactory and ensured that there was no significant breakdown or weakness in the system of internal control of the Group that would have resulted in material losses incurred by the Group for the financial year ended 31 December 2006. The Group continues to take necessary measures to strengthen its internal control structure and manage its risks.

ASSURANCE MECHANISM

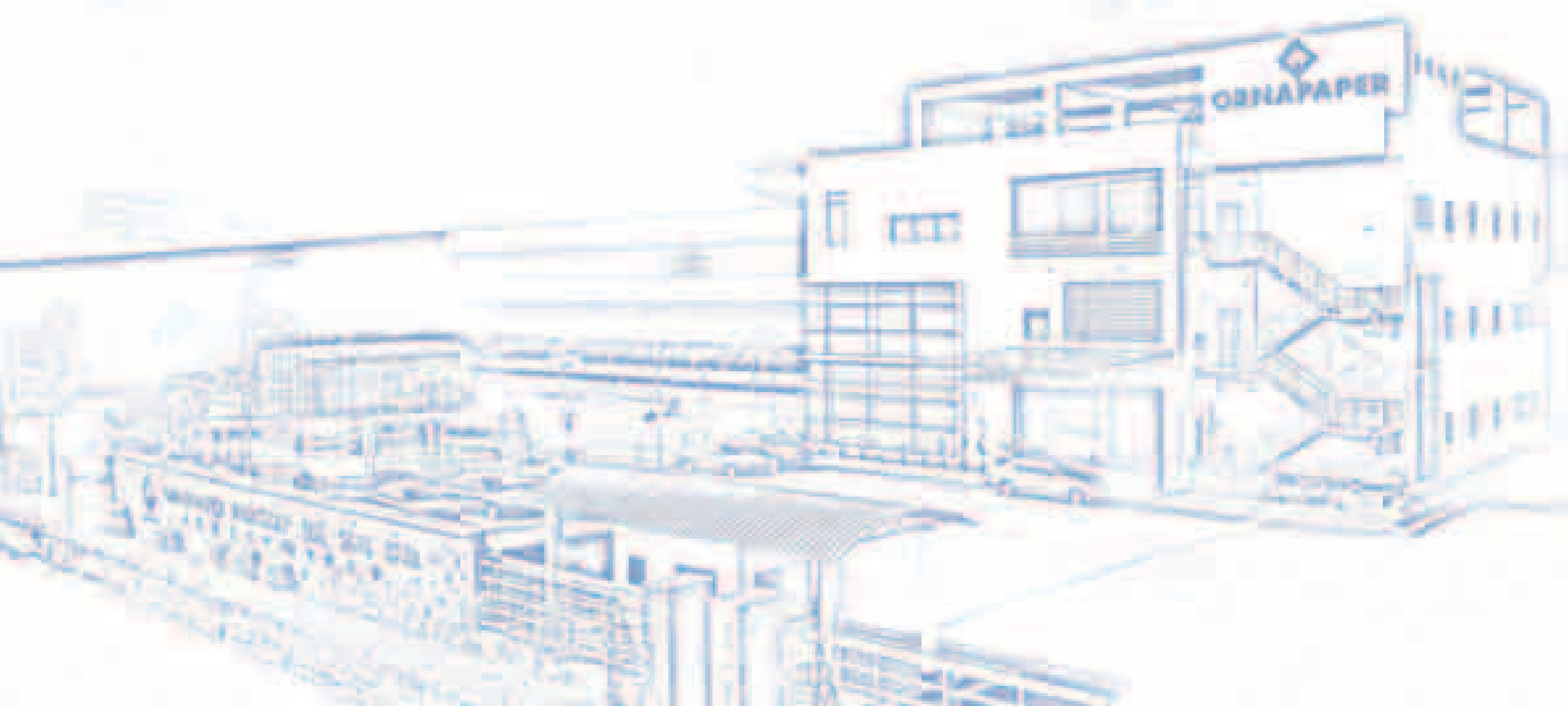
The Audit Committee ("AC") is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the Group's systems of internal control.

The Company has an independent internal audit function to conduct review on internal controls. During the financial year, the internal audit function has been fully outsourced to a professional service provider firm and reports directly to the AC. The outsourced internal audit function reviews the key activities of the Group on the basis of an annual audit plan approved by the AC. Reports and corrective actions arising from internal audit reviews are reported to the AC.

CONCLUSION

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

Financial Statements



Directors' Report

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 2006.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM	Company RM
Loss for the year	(6,392,202)	(12,039,428)
Attributable to:		
Equity holders of the Company	(3,018,783)	(12,039,428)
Minority interests	(3,373,419)	-
	(6,392,202)	(12,039,428)

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

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

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' Report

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	(resigned on 23 April 2007)
Tuan Haji Azhar bin Nayan	
See Wan Seng	
Siow Kee Yen	
Adillah binti Ahmad Nordin	
Ang Kwee Teng	
Lim Tau Lih	(appointed on 30 October 2006)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1 Each			
	1.1.2006/At Date of Appointment	Acquired	Sold	31.12.2006
Direct				
Datuk Dr. Ting Chung Cheng	8,368,649	-	-	8,368,649
Tuan Haji Azhar bin Nayan	25,000	-	-	25,000
Siow Kee Yen	5,000	-	-	5,000
Adillah binti Ahmad Nordin	4,000	-	-	4,000
Lim Tau Lih	5,374,045	-	-	5,374,045

Number of Ordinary Shares of RM1 Each				
	1.1.2006/At Date of Appointment	Acquired	Sold	31.12.2006
Indirect				
Datuk Dr. Ting Chung Cheng	2,000,000	-	-	2,000,000
Ang Kwee Teng	18,634,888	-	-	18,634,888
See Wan Seng	18,634,888	-	-	18,634,888

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

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 all known bad debts had been written off 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) render the amount written off as bad debts or the amount provided for as doubtful debts inadequate to any substantial extent; and

(ii) render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Directors' Report

(e) As at the date of this report, there does not exist:-

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:-

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 April 2007.

LIM TAU LIH

SEE WAN SENG

Statement By Directors

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, LIM TAU LIH 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 33 to 78 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 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 dated 24 April 2007.

LIM TAU LIH

SEE WAN SENG

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

I, LIM TAU LIH, 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 33 to 78 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 LIM TAU LIH at Melaka in the)
State of Melaka on 24 April 2007) LIM TAU LIH

Before me,

CHOO YONG CHUAN

Report Of The Auditors

We have audited the accompanying financial statements set out on pages 33 to 78 . 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 content 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 for Entities Other Than Private Entities 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 2006 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

Report Of The Auditors

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 12 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

WUN MOW SANG
1821/12/08(J)
Partner

Melaka, Malaysia
Date: 24 April 2007

Income Statements

For The Year Ended 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Continuing Operations					
Revenue	3	204,278,611	178,474,294	377,270	718,175
Cost of sales		(181,107,495)	(159,043,818)	-	-
Gross profit		23,171,116	19,430,476	377,270	718,175
Other income		3,995,850	2,261,045	185,309	334
Administrative expenses		(9,118,196)	(8,501,476)	(319,705)	(216,596)
Selling and marketing expenses		(11,950,408)	(12,178,422)	(1,716)	(2,910)
Other expenses		(6,026,476)	(5,505,509)	(12,095,144)	(74,419)
Operating profit/(loss)		71,886	(4,493,886)	(11,853,986)	424,584
Interest expense		(6,748,988)	(5,411,963)	(185,442)	(155,950)
(Loss)/Profit before tax	4	(6,677,102)	(9,905,849)	(12,039,428)	268,634
Income tax expense	7	284,900	(540,693)	-	(118,000)
(Loss)/Profit for the year		(6,392,202)	(10,446,542)	(12,039,428)	150,634
Attributable to:					
Equity holders of the Company		(3,018,783)	(5,664,446)	(12,039,428)	150,634
Minority interests		(3,373,419)	(4,782,096)	-	-
		(6,392,202)	(10,446,542)	(12,039,428)	150,634
Basic loss per share attributable to equity holders of the Company (sen)	8	(4.0)	(7.5)		

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

Balance Sheets

As At 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
ASSETS					
Non-current assets					
Property, plant and equipment	9	132,591,553	146,849,508	-	-
Investment property	10	418,477	427,712	-	-
Goodwill	11	1,633,024	-	-	-
Investment in subsidiaries	12	-	-	84,497,035	96,497,035
Other investments	13	276,928	277,541	-	-
Deferred tax assets	14	91,036	125,523	20,340	20,340
		135,011,018	147,680,284	84,517,375	96,517,375
Current assets					
Inventories	15	23,958,078	24,725,581	-	-
Trade receivables	16	76,543,814	74,554,533	-	-
Other receivables	17	3,545,207	2,870,222	48,014	37,844
Tax recoverable		1,585,424	1,666,293	130,595	116,631
Cash and bank balances	18	6,352,591	6,557,356	102,098	16,534
		111,985,114	110,373,985	280,707	171,009
TOTAL ASSETS		246,996,132	258,054,269	84,798,082	96,688,384
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	19	75,250,601	75,250,601	75,250,601	75,250,601
Share premium	20	11,155,900	11,155,900	11,155,900	11,155,900
Foreign exchange reserve	21	(1,699,820)	(479,126)	-	-
Retained earnings/ (Accumulated losses)	22	2,605,311	808,904	(11,586,581)	452,847
Shareholders' equity		87,311,992	86,736,279	74,819,920	86,859,348
Minority interests		7,734,734	12,499,412	-	-
Total equity		95,046,726	99,235,691	74,819,920	86,859,348
Negative goodwill	11	-	3,182,166	-	-
		95,046,726	102,417,857	74,819,920	86,859,348

Balance Sheets

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Non-current liabilities					
Long-term borrowings	23	24,124,193	31,063,538	1,972,526	2,128,000
Deferred tax liabilities	14	9,512,451	9,922,904	-	-
Non-current liabilities		33,636,644	40,986,442	1,972,526	2,128,000
Current liabilities					
Short term borrowings	23	77,627,464	84,429,003	246,568	532,000
Trade payables	25	32,960,241	22,407,088	-	-
Other payables	26	7,706,536	7,787,700	7,759,068	7,169,036
Tax payable		18,521	26,179	-	-
		118,312,762	114,649,970	8,005,636	7,701,036
Total liabilities		151,949,406	155,636,412	9,978,162	9,829,036
TOTAL EQUITY AND LIABILITIES		246,996,132	258,054,269	84,798,082	96,688,384

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

Statements of The Changes In Equity

For The Year Ended 31 December 2006

	Attributable to Equity Holders of the Company						
	Non-Distributable		Distributable				
	Share capital (Note 19)	Share premium (Note 20)	Foreign exchange reserve (Note 21)	Retained earnings (Note 22)	Total	Minority Interests	Total Equity
	RM	RM	RM	RM	RM	RM	RM
Group							
At 1 January 2005	75,250,601	11,155,900	3,891	6,473,350	92,883,742	13,884,551	106,768,293
Foreign currency translation, representing net expense recognised directly in equity	-	-	(483,017)	-	(483,017)	-	(483,017)
Loss for the year	-	-	-	(5,664,446)	(5,664,446)	(4,782,096)	(10,446,542)
Total recognised income and expense for the year	-	-	(483,017)	(5,664,446)	(6,147,463)	(4,782,096)	(10,929,559)
Additional investment in subsidiary	-	-	-	-	-	3,396,957	3,396,957
At 31 December 2005	75,250,601	11,155,900	(479,126)	808,904	86,736,279	12,499,412	99,235,691

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

Statements Of Changes In Equity

	Attributable to Equity Holders of the Company					Minority Interests	Total Equity
	Non-Distributable			Distributable			
	Share capital (Note 19) RM	Share premium (Note 20) RM	Foreign exchange reserve (Note 21) RM	Retained earnings (Note 22) RM	Total RM	RM	RM
At 1 January 2006	75,250,601	11,155,900	(479,126)	808,904	86,736,279	12,499,412	99,235,691
Effects of adopting FRS 3 (Note 11)	-	-	-	4,815,190	4,815,190	-	4,815,190
	75,250,601	11,155,900	(479,126)	5,624,094	91,551,469	12,499,412	104,050,881
Foreign currency translation, representing net expense recognised directly in equity	-	-	(1,220,694)	-	(1,220,694)	(1,391,259)	(2,611,953)
Loss for the year	-	-	-	(3,018,783)	(3,018,783)	(3,373,419)	(6,392,202)
Total recognised income and expense for the year	-	-	(1,220,694)	(3,018,783)	(4,239,477)	(4,764,678)	(9,004,155)
At 31 December 2006	75,250,601	11,155,900	(1,699,820)	2,605,311	87,311,992	7,734,734	95,046,726

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

Statements Of Changes In Equity

	Attributable to Equity Holders of the Company			
	Non-Distributable		Distributable	
	Share capital (Note 19) RM	Share premium (Note 20) RM	Retained earnings/ (Accumulated Losses) (Note 22) RM	Total RM
Company				
At 1 January 2005	75,250,601	11,155,900	302,213	86,708,714
Profit for the year, representing total recognised income and expense for the year	-	-	150,634	150,634
At 31 December 2005	75,250,601	11,155,900	452,847	86,859,348
Loss for the year, representing total recognised income and expense for the year	-	-	(12,039,428)	(12,039,428)
At 31 December 2006	75,250,601	11,155,900	(11,586,581)	74,819,920

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

Cash Flow Statements

For The Year Ended 31 December 2006

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax	(6,677,102)	(9,905,849)	(12,039,428)	268,634
Adjustments for :				
Depreciation of property, plant and equipment	9,552,074	9,255,522	-	-
Gain on disposal of property, plant and equipment	(55,795)	(144,411)	-	-
Impairment loss on investment in subsidiary	-	-	12,000,000	-
Reversal of provision for doubtful debts	(77,064)	(309,455)	-	-
Net unrealised foreign exchange gains	(182,494)	-	(174,906)	-
Depreciation of investment property	9,235	9,235		
Bad debts written off	3,394	11,417	-	-
Dividend income	(819)	(792)	(227,270)	(568,175)
Interest expense	6,748,988	5,411,963	185,442	155,950
Interest income	(594,770)	(464,922)	(341)	(334)
Operating profit/(loss) before working capital changes	8,725,647	3,862,708	(256,503)	(143,925)
Decrease in inventories	767,503	1,161,268	-	-
Increase in receivables	(2,590,596)	(18,542,680)	(10,170)	(11,329)
Increase in payables	10,308,864	12,476,195	590,032	4,061,014
Cash generated from/(used in) operations	17,211,418	(1,042,509)	323,359	3,905,760
Interest paid	(6,748,988)	(5,411,963)	(185,442)	(155,950)
Interest received	594,770	464,922	341	334
Taxes (paid)/refund	(17,855)	(691,565)	49,672	8,140
Net cash from/(used in) operating activities	11,039,345	(6,681,115)	187,930	3,758,284

Cash Flow Statements

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Additional investment in subsidiary	-	3,396,957	-	(4,164,750)
Net dividends received	819	792	163,634	409,086
Decrease/(increase) in other investments	613	(8,141)	-	-
Proceeds from disposal of property, plant and equipment	842,026	364,562	-	-
Purchase of property, plant and equipment	(1,585,480)	(16,581,386)	-	-
Net cash (used in)/from investing activities	(742,022)	(12,827,216)	163,634	(3,755,664)
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of term loans	-	7,805,239	-	-
Repayment of term loans	(17,578,586)	(6,803,956)	(266,000)	-
Repayment of hire purchase	(3,626,547)	(2,923,930)	-	-
Short term borrowings	(639,953)	11,485,143	-	-
Net cash (used in)/from financing activities	(21,845,086)	9,562,496	(266,000)	-
CASH AND CASH EQUIVALENTS				
Net (decrease)/increase	(11,547,763)	(9,945,835)	85,564	2,620
Effect of foreign exchange rate changes	2,893,177	183,443	-	-
At beginning of year	2,599,679	12,362,071	16,534	13,914
At end of year (Note 18)	(6,054,907)	2,599,679	102,098	16,534

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

Notes To The Financial Statements

31 December 2006

1. CORPORATE INFORMATION

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 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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 April 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia.

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Companyís separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Groupís interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Groupís interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minoritiesí share of the fair value of the subsidiariesí identifiable assets and liabilities at the acquisition date and the minoritiesí share of changes in the subsidiariesí equity since then.

(b) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Groupís interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes To The Financial Statements

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(d) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated. Other investment properties are depreciated on a straight line basis over the estimated useful life of 50 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(e) Impairment of Non-financial Assets

The carrying amounts of assets, other than investment property, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGUís fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

(f) Inventories

Inventories are stated at 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 costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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.

Notes To The Financial Statements

(g) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are 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) Cash and Cash Equivalents

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

(ii) Other Non-Current Investments

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

(iii) 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 profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

(iv) 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.

(v) 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.

(vi) Interest-Bearing Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vii) Equity Instruments

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

The transaction costs of an equity transaction 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.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(h) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

(ii) Finance Leases - the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, 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 lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease 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 leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

(iii) Operating Leases - the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Notes To The Financial Statements

(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 as income or an expense and included in the profit or loss for the period, 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 the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(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. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contributions Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Dividend Income

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

(iii) Management Fee

Management fee is recognised when service is rendered.

(l) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Notes To The Financial Statements

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The Group has not early adopted the following FRSs that have been issued by MASB but are not effective yet for the Group in the current financial year:

FRS 117	Leases
FRS 124	Related Party Disclosures
FRS 139	Financial Instruments : Recognition and measurement

At the date of authorisation of these financial statements, the following FRS, amendments to FRS and Interpretations were in issue but not yet effective :

(i) FRS 6 : Exploration for and Evaluation of Mineral Resources
(ii) Amendment to FRS 119_{2004} : Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
(iii) Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
(iv) IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
(v) IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
(vi) IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
(vii) IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

Notes To The Financial Statements

(viii) IC Interpretation 7: Applying the Restatement Approach under FRS 129 2004 Financial Reporting in Hyperinflationary Economies

(ix) IC Interpretation 8: Scope of FRS 2

The adoption of the above FRS, amendments to FRS and Interpretations does not give rise to any impact to these financial statements as they are not relevant to the Group.

The adoption of FRS 2, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132 and 133 does not result in significant changes in accounting policies of the Group. The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed below:

(a) FRS 3 : Business Combinations, FRS 136 : Impairment of Assets and FRS 138 : Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

(i) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill).

Prior to 1 January 2006, negative goodwill was stated at cost and offsetted against goodwill which was stated at cost less impairment losses. Negative goodwill and goodwill are not amortised. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM4,815,190 will be derecognised with a corresponding increase in retained earnings.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The effects on the consolidated balance sheet as at 31 December 2006 are set out in Note 2.3(d). There were no effects on the consolidated income statement for the year ended 31 December 2006 and the Company's financial statements.

(ii) Accounting for acquisitions

Prior to 1 January 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably. In addition, the Group was previously allowed to recognise restructuring provisions in connection with an acquisition regardless of whether the acquiree had recognised such provisions. Upon the adoption of FRS 3, the Group is now permitted to recognise such provisions only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with FRS 137.

The change did not materially affect the financial statements of the Group and the Company.

(b) FRS 101 : Presentation of Financial Statements

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(e), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 December 2006 are set out in Note 2.3(d). There were no effects on the consolidated income statement for the year ended 31 December 2006 and the Company's financial statements.

(c) FRS 140: Investment Property

Prior to 1 January 2006, investment properties were classified as property, plant and equipment and measured at cost less accumulated depreciation. The adoption of FRS 140 required properties that qualified as investment properties to be reclassified from property, plant and equipment to investment property. The Group adopted the cost model to measure its investment property. Under the cost model, investment property is measured at cost less accumulated depreciation and impairment losses.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(e), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 December 2006 are set out in Note 2.3(d). There were no effects on the consolidated income statement for the year ended 31 December 2006 and the Company's financial statements.

(d) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheet as at 31 December 2006 is higher or lower than it would have been had the previous policies been applied in the current year.

Notes To The Financial Statements

Effects on balance sheet as at 31 December 2006

Description of Change	FRS 3 Note 2.3(a)(i) RM	FRS 101 Note 2.3(b) RM	FRS 140 Note 2.3(c) RM	Total RM
	Increase/(Decrease)			
Group				
Negative goodwill	(4,815,190)	-	-	(4,815,190)
Retained earnings	4,815,190	-	-	4,815,190
Property, plant and equipment	-	-	(418,477)	(418,477)
Investment property	-	-	418,477	418,477
Total equity	-	7,734,734	-	7,734,734

(e) Restatement of comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

Description of Change	Previously Stated RM	FRS 101 Note 2.3(b) RM	FRS 140 Note 2.3(c) RM	Restated RM
		Increase/(Decrease)		
Group				
Property, plant and equipment	147,277,220	-	(427,712)	146,849,508
Investment property	-	-	427,712	427,712
Total equity	86,736,279	12,499,412	-	99,235,691

2.4 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill

The Group determines whether goodwill are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 December 2006 were RM1,633,024 (2005: RM1,633,024) . Further details are disclosed in Note 11.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group was RM466,328 (2005: RM692,300) and the unrecognised tax losses of the Group was RM17,789,583 (2005: RM10,337,003).

Notes To The Financial Statements

(iii) Depreciation of plant and machinery

The cost of plant and machinery for the manufacture of corrugated boards and carton boxes is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 20 years. These are common life expectancies applied in the corrugator industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

3. REVENUE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Sales of goods	204,278,611	178,474,294	-	-
Dividend income from subsidiary	-	-	227,270	568,175
Management fees from subsidiaries	-	-	150,000	150,000
	204,278,611	178,474,294	377,270	718,175

4. (LOSS)/PROFIT BEFORE TAX

The following amounts have been included at arriving at (loss)/profit before tax:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Employee benefits expense (Note 5)	21,336,170	18,302,980	107,930	107,930
Non-executive directors' remuneration (Note 6)	101,500	97,500	71,500	67,500
Auditors' remuneration	235,991	204,621	75,250	32,000
- statutory audit				
- current year	145,859	161,406	25,000	25,000
- (over)/underprovision in prior year	(4,300)	(3,000)	9,250	-
- other services	94,432	46,215	41,000	7,000

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Reversal of provision for doubtful debts	(77,064)	(309,455)	-	-
Bad debts written off	3,394	11,417	-	-
Net foreign exchange (gains)/losses	(321,772)	237,459	(184,968)	-
Impairment loss on investment in subsidiary	-	-	12,000,000	-
Depreciation of property, plant and equipment	9,552,074	9,255,522	-	-
Depreciation of investment property	9,235	9,235	-	-
Gain on disposal of property, plant and equipment	(55,795)	(144,411)	-	-
Operating leases:	603,701	642,346	-	-
-minimum lease payments for land and buildings	590,501	638,746	-	-
-minimum lease payments for plant and machineries	13,200	3,600	-	-
Rental receivable from operating leases	(175,100)	(31,600)	-	-
Gross dividend	(819)	(792)	(227,270)	(568,175)
Interest income	(594,770)	(464,922)	(341)	(334)

5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Salaries and wages	16,116,441	13,645,214	96,000	96,000
Contribution to defined contribution plan	1,170,219	1,082,758	11,520	11,520
Other benefits	4,049,510	3,575,008	410	410
	21,336,170	18,302,980	107,930	107,930

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,213,388 (2005: RM1,280,167) and RM40,500 (2005: RM37,500) respectively as further disclosed in Note 6.

Notes To The Financial Statements

6. DIRECTORS' REMUNERATION

Details of remuneration receivable by directors of the Company and of the subsidiaries during the year are as follows:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Executive directors' remuneration (Note 5):				
Fees	120,000	120,000	30,000	30,000
Other emoluments	1,093,388	1,160,167	10,500	7,500
	1,213,388	1,280,167	40,500	37,500
Non-Executive (Note 4):				
Fees	92,500	90,000	62,500	60,000
Other emoluments	9,000	7,500	9,000	7,500
	101,500	97,500	71,500	67,500
Total directors' remuneration	1,314,888	1,377,667	112,000	105,000
Estimated money value of benefits-in-kind	63,140	105,427	-	-
Total directors' remuneration including benefits-in-kind	1,378,028	1,483,094	112,000	105,000

Details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Executive:				
Salaries and other emoluments	650,131	593,880	10,500	7,500
Defined contribution plan	71,622	69,849	-	-
Fees	120,000	120,000	30,000	30,000
Estimated money value of benefits-in-kind	63,140	105,427	-	-
	904,893	889,156	40,500	37,500
Non-Executive:				
Fees	92,500	90,000	62,500	60,000
Other emoluments	9,000	7,500	9,000	7,500
	101,500	97,500	71,500	67,500
	1,006,393	986,656	112,000	105,000

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:

	2006	2005
Executive directors:		
RM50,001 - RM100,000	2	1
RM200,001 - RM250,000	1	1
RM500,001 - RM550,000	1	1
Non-executive directors:		
Below RM50,000	3	3

7. INCOME TAX EXPENSE

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Income tax:				
Current Malaysian income tax	77,622	74,699	-	118,000
Current foreign tax	13,444	-	-	-
Overprovision in prior years	-	(1,115)	-	-
	91,066	73,584	-	118,000
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences	596,916	431,393	-	-
Relating to reduction in income tax rate	(751,742)	-	-	-
(Over)/Underprovision in prior years	(221,140)	35,716	-	-
	(375,966)	467,109	-	-
	(284,900)	540,693	-	118,000

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005 : 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes To The Financial Statements

A reconciliation of income tax expense applicable to (loss)/profit before tax 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	
	2006 RM	2005 RM	2006 RM	2005 RM
(Loss)/profit before tax	(6,677,102)	(9,905,849)	(12,039,428)	268,634
Taxation at 28% (2005 : 28%)	(1,869,589)	(2,773,638)	(3,371,040)	75,218
Effect of different tax rate in other countries	1,727,331	2,375,043	-	-
Effect of changes in tax rates on opening balance of deferred tax	(377,732)	-	-	-
Deferred tax asset recognised at different tax rates	(374,010)	-	-	-
Effect of expenses not deductible for tax purposes	551,022	614,556	3,371,040	42,782
Effect of utilisation of previously unrecognised reinvestment allowances	(93,411)	-	-	-
Effect of income not subject to tax	-	(10,080)	-	-
Deferred tax asset not recognised on unutilised losses	372,629	300,211	-	-
Overprovision of current tax in prior years	-	(1,115)	-	-
(Over)/underprovision of deferred tax in prior years	(221,140)	35,716	-	-
Income tax expense for the year	(284,900)	540,693	-	118,000

8. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company of RM3,018,783 (2005 : RM5,664,446) by the weighted average number of 75,250,601 (2005 : RM75,250,601) ordinary shares in issue during the financial year.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings* RM	Plant and machinery RM	Other assets RM	Total RM
Group				
At 31 December 2006				
Cost				
At 1 January 2006	65,094,655	121,887,822	12,036,970	199,019,447
Additions	381,524	927,252	276,704	1,585,480
Disposals	-	(314,724)	(962,337)	(1,277,061)
Exchange differences	(1,886,690)	(3,825,647)	(215,882)	(5,928,219)
At 31 December 2006	63,589,489	118,674,703	11,135,455	193,399,647
Accumulated depreciation				
At 1 January 2006	6,645,600	38,683,703	6,840,636	52,169,939
Charge for the year	1,369,029	6,930,186	1,252,859	9,552,074
Disposals	-	(288,928)	(201,902)	(490,830)
Exchange differences	(35,214)	(343,902)	(43,973)	(423,089)
At 31 December 2006	7,979,415	44,981,059	7,847,620	60,808,094
Net carrying amount	55,610,074	73,693,644	3,287,835	132,591,553
At 31 December 2005				
Cost				
At 1 January 2005	52,574,643	108,830,089	15,673,486	177,078,218
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	65,094,655	121,887,822	12,036,970	199,019,447

Notes To The Financial Statements

	Land and buildings* RM	Plant and machinery RM	Other assets RM	Total RM
Accumulated depreciation				
At 1 January 2005	5,500,402	31,847,317	6,524,264	43,871,983
Charge for the year	1,145,198	6,866,707	1,243,617	9,255,522
Disposals	-	(28,085)	(929,094)	(957,179)
Reclassification	-	(2,236)	2,236	-
Exchange differences	-	-	(387)	(387)
At 31 December 2005	6,645,600	38,683,703	6,840,636	52,169,939
Net carrying amount	58,449,055	83,204,119	5,196,334	146,849,508

*** LAND AND BUILDINGS OF THE GROUP**

	Long term leasehold land RM	Short term leasehold land RM	Factory buildings RM	Total RM
At 31 December 2006				
Cost				
At 1 January 2006	11,129,470	4,012,209	49,952,976	65,094,655
Additions	-	-	381,524	381,524
Exchange differences	-	-	(1,886,690)	(1,886,690)
At 31 December 2006	11,129,470	4,012,209	48,447,810	63,589,489
Accumulated depreciation				
At 1 January 2006	822,757	394,917	5,427,926	6,645,600
Charge for the year	129,527	63,618	1,175,884	1,369,029
Exchange differences	-	-	(35,214)	(35,214)
At 31 December 2006	952,284	458,535	6,568,596	7,979,415
Net carrying amount	10,177,186	3,553,674	41,879,214	55,610,074

	Long term leasehold land RM	Short term leasehold land RM	Factory buildings RM	Total RM
At 31 December 2005				
Cost				
At 1 January 2005	11,129,470	4,012,209	37,432,964	52,574,643
Additions	-	-	5,955,170	5,955,170
Reclassification	-	-	6,670,565	6,670,565
Exchange differences	-	-	(105,723)	(105,723)
At 31 December 2005	11,129,470	4,012,209	49,952,976	65,094,655
Accumulated depreciation				
At 1 January 2005	693,230	302,184	4,504,988	5,500,402
Charge for the year	129,527	92,733	922,938	1,145,198
At 31 December 2005	822,757	394,917	5,427,926	6,645,600
Net carrying amount	10,306,713	3,617,292	44,525,050	58,449,055

(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 RM102,706 (2005 : RM791,915).

(b) Net book value of property, plant and equipment pledged to financial institutions for bank borrowings as referred to in Note 23 are as follow:

	Group 2006 RM	Group 2005 RM
Long term leasehold land	10,177,186	10,292,156
Short term leasehold land	3,553,674	3,631,849
Factory buildings	41,879,213	44,952,762
Plant and machinery	72,917,925	82,260,340
Others	3,287,836	2,551,960
	131,815,834	143,689,067

Notes To The Financial Statements

(c) The cost of property, plant and equipment purchased during the financial year of RM1,585,480 (2005 : RM23,785,406) includes an amount of RM Nil (2005 : RM7,204,020) which was financed under hire purchase arrangements.

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

	Group	
	2006 RM	2005 RM
Plant and machinery	15,216,605	16,556,500
Motor vehicles	804,791	1,361,951
	16,021,396	17,918,451

10. INVESTMENT PROPERTY

	2006 RM	2005 RM
Cost		
At 1 January/31 December	461,742	461,742
Accumulated Depreciation		
At 1 January	34,030	24,795
Charge for the year	9,235	9,235
At 31 December	43,265	34,030
Net Carrying Amount	418,477	427,712

The investment property is pledged to financial institutions for bank borrowings as referred to in Note 23.

Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The fair value of the Group's investment properties as at 31 December 2006 is RM420,000.

11. GOODWILL/(NEGATIVE GOODWILL)

Group	Negative Goodwill RM	Goodwill RM	Total RM
At 1 January 2005/31 December 2005	(4,815,190)	1,633,024	(3,182,166)
Effects of adopting FRS 3 (Note 2.3(a)(i))	4,815,190	-	4,815,190
At 31 December 2006	-	1,633,024	1,633,024

Impairment tests for goodwill

Goodwill has been allocated to the Group's CGUs identified according to the subsidiaries, as follows:

	2006 RM	2005 RM
Ornapaper Industry (Perak) Sdn. Bhd.	1,573,698	1,573,698
Ornapaper Industry (Johor) Sdn. Bhd.	59,326	59,326
	1,633,024	1,633,024

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used for value-in-use calculations are:

	Gross Margin 2006	Growth Rate 2006	Discount Rate 2006
Ornapaper Industry (Perak) Sdn. Bhd.	18%	4%	8%
Ornapaper Industry (Johor) Sdn. Bhd.	14%	2%	8%

Notes To The Financial Statements

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill :

(i) Budgeted gross margin
The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

(ii) Growth rate
The weighted average growth rates used are consistent with past experience.

(iii) Discount rate
The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

(iv) Bond rate
The bond rates used are the yield on a 5-year Malaysian government bond rate at the beginning of the budgeted year.

The Group believes that any reasonably possible change in the above key assumptions applied are not likely to materially cause recoverable amount to be lower than its carrying amount.

12. INVESTMENT IN SUBSIDIARIES

	Company 2006 RM	Company 2005 RM
Unquoted shares at cost	96,497,035	96,497,035
Less: Accumulated impairment losses	(12,000,000)	-
	84,497,035	96,497,035

Details of the subsidiaries are as follows :

Name of Subsidiaries	Country of Incorporation	Proportion of Ownership Interest (%) 2006	2005	Principal Activities
Subsidiaries of the Company				
Ornapaper Industry (M) Sdn. Bhd.	Malaysia	100	100	Manufacturing of corrugated boards and carton boxes
Ornapaper Industry (Batu Pahat) Sdn. Bhd.	Malaysia	100	100	Manufacturing of carton boxes
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

* Not audited by Ernst & Young

\# The auditors' reports on the financial statements of Ornapaper Vietnam Co. Ltd. emphasised that the continuance of the subsidiary as going concern depends on the investor continuing to provide financial assistance as is necessary to enable the entity to meet its liabilities as and when they fall due and to maintain the entity in existence as a going concern for the foreseeable future.

Notes To The Financial Statements

13. OTHER INVESTMENTS

	Group 2006 RM	Group 2005 RM
At cost:		
Quoted shares	19,400	19,400
Unquoted shares	225,000	225,000
Club membership	25,000	25,000
Others	7,528	8,141
	276,928	277,541
Market value of quoted shares	35,170	14,840

14. DEFERRED TAX ASSETS/LIABILITIES

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
At 1 January	9,797,381	9,330,272	(20,340)	(20,340)
Recognised in income statement (Note 7)	(375,966)	467,109	-	-
At 31 December	9,421,415	9,797,381	(20,340)	(20,340)

Presented after appropriate offsetting as follows:

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Deferred tax assets	(91,036)	(125,523)	(20,340)	(20,340)
Deferred tax liabilities	9,512,451	9,922,904	-	-
	9,421,415	9,797,381	(20,340)	(20,340)

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

Group 2006	As at 1 January	Recognised in income statement	As at 31 December
Property, plant and equipment	9,991,225	(447,177)	9,544,048
Unutilised tax losses	(167,518)	44,885	(122,633)
Unabsorbed capital allowances	(26,326)	26,326	-
	9,797,381	(375,966)	9,421,415

Group		**Recognised**	
	As at	**in income**	**As at**
2005	**1 January**	**statement**	**31 December**
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)
	9,330,272	467,109	9,797,381

Company		**Recognised**	
	As at	**in income**	**As at**
2006	**1 January**	**statement**	**31 December**
Unutilised tax losses	(20,340)	-	(20,340)
	(20,340)	-	(20,340)
2005			
Unutilised tax losses	(20,340)	-	(20,340)
	(20,340)	-	(20,340)

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

	Group	
	2006	**2005**
	RM	**RM**
Unutilised tax losses	17,789,583	10,337,003

15. INVENTORIES

	Group	
	2006	**2005**
	RM	**RM**
At cost :		
Raw materials and consumables	21,976,774	22,685,979
Work-in-progress	217,954	181,758
Finished goods	1,763,350	1,857,844
	23,958,078	24,725,581

Notes To The Financial Statements

16. TRADE RECEIVABLES

	Group	
	2006	2005
	RM	RM
Trade receivables	76,421,892	75,908,725
Less : Provision for doubtful debts	(1,744,857)	(2,095,498)
	74,677,035	73,813,227
Related parties	1,866,779	741,306
	76,543,814	74,554,533

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 (2005 : 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% (2005 : 0.50% to 1.50%) per month is charged on the amount due from certain debtors exceeding credit terms.

The Group has significant concentration of credit risk that may arise from exposure to two debtors which amounted to RM15,039,317 (2005 : RM16,226,055) which represents 19% (2005 : 21%) of the total gross debts. The said debtors have strategic alliances with the Group. The directors are confident that based on steps taken, dealings with those debtors and the proposed payment scheme by one of these debtors that the amounts, net of provisions made, will be recovered in full and as such, the provision for doubtful debts made in financial statements is adequate.

17. OTHER RECEIVABLES

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Deposits and prepayments	1,713,190	1,311,613	17,181	17,011
Other receivables	1,138,407	777,952	-	-
Import tax receivables	693,610	780,657	-	-
Due from subsidiaries	-	-	30,833	20,833
	3,545,207	2,870,222	48,014	37,844

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 repayable on demand.

18. CASH AND CASH EQUIVALENTS

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Cash on hand and at banks	6,305,361	6,514,795	102,098	16,534
Deposit with a licensed bank	47,230	42,561	-	-
Cash and bank balances	6,352,591	6,557,356	102,098	16,534
Less: Bank overdrafts (Note 23)	(12,407,498)	(3,957,677)	-	-
	(6,054,907)	2,599,679	102,098	16,534

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 :

	Weighted Average Interest Rate 2006	Weighted Average Interest Rate 2005	Average Maturity Days 2006	Average Maturity Days 2005
Deposit with a licensed bank	3.8%	3.7%	365	365

19. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each 2006	Number of Ordinary Shares of RM1 Each 2005	Amount 2006 RM	Amount 2005 RM
Authorised				
At 1 January/31 December	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
At 1 January/31 December	75,250,601	75,250,601	75,250,601	75,250,601

20. SHARE PREMIUM

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

Notes To The Financial Statements

21. FOREIGN EXCHANGE RESERVE

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

22. RETAINED PROFITS

As at 31 December 2006, the Company has tax exempt profits available for distribution of approximately RM309,000 (2005 : RM309,000), subject to the agreement with the Inland Revenue Board.

As at 31 December 2005, the Company had 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.

23. BORROWINGS (SECURED)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Short Term Borrowings				
Bank overdrafts (Note 18)	12,407,498	3,957,677	-	-
Bankers' acceptances	41,995,881	50,790,720	-	-
Trust receipts	4,334,926	5,926,342	-	-
Short term loans	9,746,302	-	-	-
Term loans	5,736,993	19,845,931	246,568	532,000
Hire purchase payables (Note 24)	3,405,864	3,908,333	-	-
	77,627,464	84,429,003	246,568	532,000
Long Term Borrowings				
Secured :				
Term loans	17,526,171	21,341,438	1,972,526	2,128,000
Hire purchase payables (Note 24)	6,598,022	9,722,100	-	-
	24,124,193	31,063,538	1,972,526	2,128,000
Total Borrowings				
Bank overdrafts	12,407,498	3,957,677	-	-
Bankers' acceptances	41,995,881	50,790,720	-	-
Trust receipts	4,334,926	5,926,342	-	-
Short term loans	9,746,302	-	-	-
Term loans	23,263,164	41,187,369	2,219,094	2,660,000
Hire purchase payables	10,003,886	13,630,433	-	-
	101,751,657	115,492,541	2,219,094	2,660,000

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Maturity of borrowings (excluding hire purchase):				
Within one year	74,221,600	80,520,670	246,568	532,000
More than one year and not later than 2 years	6,613,096	10,245,432	493,136	532,000
More than 2 years and not later than 5 years	10,913,075	11,096,006	1,479,390	1,596,000
Later than 5 years		-	-	-
	91,747,771	101,862,108	2,219,094	2,660,000

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

	Group		Company	
	2006	2005	2006	2005
	%	%	%	%
Bank overdrafts	8.16	7.76	-	-
Bankers' acceptances	4.26	3.54	-	-
Trust receipts	7.80	7.25	-	-
Short term loans	8.47	-	-	-
Term loans	7.31	6.06	7.85	6.83

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 Note 10 and additionally guaranteed by a director of a subsidiary and certain directors of the Company. The borrowing of the Company is additionally guaranteed by a subsidiary.

24. HIRE PURCHASE PAYABLES

	Group	
	2006	2005
	RM	RM
Minimum hire purchase payments :		
Within one year	3,982,444	4,682,284
Later than one year and not later than 2 years	3,410,891	3,930,076
Later than 2 years and not later than 5 years	3,678,814	6,928,242
	11,072,149	15,540,602
Less : Future finance charges	(1,068,263)	(1,910,169)
	10,003,886	13,630,433

Notes To The Financial Statements

	Group 2006 RM	Group 2005 RM
Present value of hire purchase liabilities :		
Within one year	3,405,864	3,908,333
Later than one year and not later than 2 years	3,088,310	3,448,250
Later than 2 years and not later than 5 years	3,509,712	6,273,850
	10,003,886	13,630,433
Due within 12 months (Note 23)	(3,405,864)	(3,908,333)
Due after 12 months (Note 23)	6,598,022	9,722,100

The hire purchase liabilities bore interest at the balance sheet date of between 2.50% to 5.50% (2005 : 2.50% to 5.50%) per annum.

25. TRADE PAYABLES

The credit terms granted to the Group range from 30 to 120 (2005 : 30 to 120) days.

26. OTHER PAYABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Due to a subsidiary	-	-	7,717,888	7,153,286
Due to a director	1,021,853	-	-	-
Supplier of property, plant and equipment	-	687,600	-	-
Other payables and accruals	6,684,683	7,100,100	41,180	15,750
	7,706,536	7,787,700	7,759,068	7,169,036

The amounts due to a subsidiary and due to a director are unsecured, interest-free and repayable on demand.

Notes To The Financial Statements

27. COMMITMENTS

	Group 2006 RM	Group 2005 RM
Capital Commitments		
Capital expenditure approved and contracted for:		
Property, plant and equipment	874,271	132,368
Non-Cancellable Operating Lease Commitments		
Future minimum rentals payable:		
Later than 5 years	675,576	760,360

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

28. CONTINGENT LIABILITIES

	Company 2006 RM	Company 2005 RM
Unsecured corporate guarantees given to bank for credit facilities granted to subsidiaries	79,791,000	75,537,000

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group 2006 RM	Group 2005 RM
Sales to companies in which Tay Kim Huat, a director of a fellow subsidiary has indirect interest :		
Poh Huat Furniture Industries Vietnam Limited	3,057,525	2,064,347
Poh Huat Furniture Industries (M) Sdn. Bhd.	2,931,597	2,190,304
Poh Huat Woodwork (M) Sdn. Bhd.	41,817	134,984

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 above transactions have been entered into in the normal course of business and have been established on negotiated basis and mutually agreed basis.

Notes To The Financial Statements

30. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Company had no substantial long-term interest-bearing assets as at 31 December 2006.

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

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

(c) Foreign Exchange Risk

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

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

	Financial Assets/(Liabilities) 2006 RM	2005 RM
Trade receivables	96,075	84,122
Other receivables	-	51,422
Trade payables	(13,126,391)	(7,583,876)
Other payables	(1,197,197)	(28,342)
Term loan	(29,249,588)	(40,509,686)
	(43,477,101)	(47,986,360)

(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 16.

(f) Fair Values

The carrying amounts of hire-purchase payables and term loans approximate fair values as the interest rates charged are close to market interest rates for loans of similar risk profile as at balance sheet date.

The carrying amounts of other financial assets and liabilities approximate their fair values due to their relatively short maturity periods.

Notes To The Financial Statements

31. 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 RM	Vietnam RM	Others RM	Group RM
31 December 2006				
Revenue				
External sales	167,406,483	36,097,957	774,171	204,278,611
Results				
Segment results	5,791,693	(5,778,069)	58,262	71,886
Interest expense	(5,074,477)	(1,674,511)	-	(6,748,988)
Profit/(loss) before tax	717,216	(7,452,580)	58,262	(6,677,102)
Income tax expense	298,344	-	(13,444)	284,900
Net profit/(loss) for the year	1,015,560	(7,452,580)	44,818	(6,392,202)
Assets/Liabilities				
Segment assets	183,763,074	62,799,540	433,518	246,996,132
Segment liabilities	105,476,826	46,448,036	24,544	151,949,406
Other segment information				
Capital expenditure	1,207,910	377,570	-	1,585,480
Depreciation of property, plant and equipment	6,669,331	2,871,918	10,825	9,552,074
Depreciation of investment property	9,235	-	-	9,235
Other significant non-cash income	(1,119,002)	807,063	-	(311,939)

	Malaysia RM	Vietnam RM	Others RM	Group RM
31 December 2005				
Revenue				
External sales	160,444,096	17,852,349	177,849	178,474,294
Results				
Segment results	4,898,894	(9,188,889)	(203,891)	(4,493,886)
Interest expense	(4,263,849)	(1,148,114)	-	(5,411,963)
Profit/(loss) before tax	635,045	(10,337,003)	(203,891)	(9,905,849)
Income tax expense	(540,693)	-	-	(540,693)
Net profit/(loss) for the year	94,352	(10,337,003)	(203,891)	(10,446,542)
Assets/Liabilities				
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
Other segment information				
Capital expenditure	10,128,272	13,650,567	6,567	23,785,406
Depreciation of property, plant and equipment	6,714,379	2,530,300	10,843	9,255,522
Depreciation of investment property	9,235	-	-	9,235
Other significant non-cash income	(298,038)	-	-	(298,038)

(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

Register Owner	Title / Location	Land Area (Square Metres)	Tenure From / To	Existing Use	Approximate Age of Building (Years)	Date of Acquisition	Net Book Value As at 31/12/2006 (RM'000)
OISB(M)	H. S. (M) 455 to H. S. (M) 470 Lot PT4944 to PT4959 Mukim of Bachang, District of Melaka Tengah, Melaka	33,720	Leasehold 99 Years Expiring On 24/09/2094	Industrial		16-Jan-96	
OISB(M)	H. S. (M) 471 to H. S. (M) 475 Lot PT4960 to PT4964 Mukim of Bachang, District of Melaka Tengah, Melaka	17,246	Leasehold 99 Years Expiring On 24/09/2094	Industrial	10	04-Mar-02	26,331
PKNM*	Lot PT 6127, Kawasan Perindustrian Batu Berendam IV, Melaka Factory No.: 8998, Kawasan Perindustrian Batu Berendam (PhaseIV) (Taman Perindustrian Batu Berendam), Batu Berendam, Melaka.	6,822		Industrial (Former Service Road)		01-Aug-03	
OISB(BP)	H. S. (D) 43098 Lot. No. PLO 271 (PTD39208), Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim Factory No. PLO 271, JalanKawasan Perindustrian Sri Gading, 83009 Batu Pahat, Johor Darul Takzim	13,067	Leasehold 60 Years Expiring On 10/07/2060	Industrial	9	27-Oct-97	3,631
OISB(PERAK)	H. S. (D) 10127, H.S. (D) 101313 To H. S. (D)10135 Lot PT 80050, PT 80054 to PT 80058 Mukim of Hulu Kinta, District of Kinta, State of Perak Factory No. Plot 9, Persiaran Perindustrian Kanthan 2, Industrial Estate, 31200 Chemor, Perak Darul Ridzuan	42,808	Leasehold 60 Years Expiring On 2/1/2051	Industrial	16	25-May-90	6,184
TPSB	H. S. (M) 1/76 Lot PT 67 Mukim of Bukit Katil, District of Melaka Tengah, State of Melaka. Factory No. 125, Ayer Keroh Industrial Estate, Ayer Keroh, 75450 Melaka.	10,604	Leasehold 99 Years Expiring On 7/4/2075	Industrial	27	19-Jun-00	4,917
OISB(JOHOR)	H. S. (M) 235151 Lot P.T.D. 113285 Mukim of Plentong, District of Johor Bahru, State of Johor. Factory No. 33, Jalan Cenderai 6, Taman Perindustrian Kota Puteri, 81750 Masai, Johor	708	Freehold	Industrial	13	14-Mar-02	418
OV	Factory No. Binh Son Village, Long Thanh District, Dong Nai Province, Vietnam	109,476	Leasehold 50 Years Expiring On 3/10/2053	Industrial	3	03-Oct-03	14,547

Notes:- *OISB(M) - Ornapaper Industry (M) Sdn. Bhd.*
OISB(BP) - Ornapaper Industry (Batu Pahat) Sdn. Bhd.
OISB(PERAK) - Ornapaper Industry (Perak) Sdn. Bhd.
TPSB - Tripack Packaging (M) Sdn. Bhd.
OISB (JOHOR) - Ornapaper Industry (Johor) Sdn. Bhd.
OV - Ornapaper Vietnam Co. Ltd.
PKNM - Perbadanan Kemajuan Negeri Melaka

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

Shareholding Statistic

(As At 10 May 2007)

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

DISTRIBUTION OF SHAREHOLDERS

Range	No. of Shareholders	%	No. of shares	%
1 to 99	6	0.37	339	-
100 to 1,000	420	25.55	404,210	0.54
1,001 to 10,000	953	57.97	4,280,100	5.69
10,001 to 100,000	193	11.74	5,838,955	7.76
100,001 to 3,762,529	22	1.34	6,840,766	9.09
3,762,530 and above	3	0.18	37,514,878	49.85
	1,597	97.15	54,879,248	72.93

SUBSTANTIAL SHAREHOLDERS

Name	Direct No. of Shares	%		Indirect No. of Shares	%
Intisari Delima Sdn Bhd	18,634,888	24.76	-	-	-
Lembaga Tabung Haji	13,505,945	17.95	-	-	-
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	-	-	#	21,870,212	29.06

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

Name	Direct No. of Shares	%		Indirect No. of Shares	%
Tuan Haji Azhar bin Nayan	25,000	0.03	-	-	-
Lim Tau Lih	5,373,045	7.14	-	-	-
Ang Kwee Teng	-	-	*	18,634,888	24.76
See Wan Seng	-	-	*	18,634,888	24.76
Adillah binti Ahmad Nordin	4,000	0.01	-	-	-
Siow Kee Yen	5,000	0.01	-	-	-

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 Sistematik Sdn Bhd and by virtue of his substantial shareholdings in Intisari Delima Sdn Bhd

Shareholding Statistic

(As At 10 May 2007)

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

	Name	No. of Shares	%
1.	INTISARI DELIMA SDN BHD	18,634,888	24.7638
2.	LEMBAGA TABUNG HAJI	13,505,945	17.9480
3.	TING CHUNG CHENG	8,368,649	11.1210
4.	LIM TAU LIH	5,374,045	7.1415
5.	HSU, FANG-SZU	2,866,915	3.8098
6.	SAI SEAK CHYUAN	2,133,000	2.8345
7.	TING HSU PO HSIANG	2,000,000	2.6578
8.	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TSAI HSIN-TIEN (CST)	1,890,500	2.5123
9.	HSU, YAO-JIH	1,235,300	1.6416
10.	CHIANG WEN CHOU	992,600	1.3191
11.	YANG, WEI -CHEN	990,489	1.3163
12.	SAI SEAK CHYUAN	643,000	0.8545
13.	HSU, FANG-SZU	543,000	0.7216
14.	PILIHAN SISTEMATIK SDN. BHD.	459,324	0.6104
15.	TAN CHIN HWEE	435,586	0.5788
16.	CHIEW TEO ANN	424,100	0.5636
17.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON MENG HENG (MARGIN)	410,100	0.5450
18.	LIN TANG-MING	254,000	0.3375
19.	HUANG, CHIEN-YI	200,000	0.2658
20.	ANG SIEW YING	187,256	0.2488
21.	MAH CHET HONG	186,000	0.2472
22.	JOLLY WOOD SDN. BHD.	180,000	0.2392
23.	TEH CHENG HO	180,000	0.2392
24.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR MERRILL LYNCH PIERCE FENNER & SMITH INCORPORATED (FOREIGN)	155,000	0.2060
25.	NG RHO SHII	154,000	0.2046
26.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU SIE KWONG (EBTR)	154,000	0.2046
27.	CHENG HO SHU HUEI	150,000	0.1993
28.	RIGHT WAY INDUSTRIAL (MALAYSIA) SDN BHD	150,000	0.1993
29.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO KOK KIANG	150,000	0.1993
30.	BILLY WOOD INDUSTRIAL SDN BHD	150,000	0.1993
	Total	**63,157,697**	**83.93**

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Form of Proxy

ORNAPAPER BERHAD
(Company No. 573695-W)
(Incorporated in Malaysia)

FORM OF PROXY

CDS ACCOUNT NUMBER

NUMBER OF SHARES HELD

*I / We ____________________________________ NRIC No./Company No.______________________

of (full address)____

being a member/members of ORNAPAPER BERHAD, do hereby appoint ______________________________

____________________of ____

or failing him, ____ of ________________

____

or failing him, the CHAIRMAN OF THE MEETING, as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the Fifth Annual General Meeting of the Company to be held at No. 8998, Kawasan Perindustrian Peringkat 4, Batu Berendam, 75350 Melaka on Thursday, 28 June 2007 at 10.30 am and at any adjournment thereof.

No.	Resolutions	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2006 together with the Reports of the Directors and the Auditors thereon.		
2.	To approve the payment of Directors' Fees for the financial year ended 31 December 2006.		
3.	To re-elect Mr. See Wan Seng who retires pursuant to Article 92 of the Company's Articles of Association.		
4.	To re-elect Mr. Ang Kwee Teng who retires pursuant to Article 92 of the Company's Articles of Association.		
5.	To re-elect Mr. Lim Tau Lih who retires pursuant to Article 98 of the Company's Articles of Association.		
6.	To re-appoint Messrs Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
7.	**Special Business** Ordinary Resolution I - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
8.	**Special Business** Ordinary Resolution II - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
9.	**Special Business** Special Resolution - Proposed Amendments to the Articles of Association of the Company.		

* *Strike out whichever not applicable.*

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

As witness my/our hand(s) this _________ day of _______________ 2007.

____
Signature of Member/Common Seal

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.
Shareholders' attention is hereby drawn to the Listing Requirements of Bursa Malaysia Securities Berhad which came into force on 1 June 2001 which allows a member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991 to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

2. If the appointor 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 epresented by each proxy.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 1A, 6th Floor, Menara Pertam, Jalan BBP 2,Taman Batu Berendam Putra, Batu Berendam, 75350 Melaka not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

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Affix Stamp Here

The Company Secretary
ORNAPAPER BERHAD (573695-W)
Lot 1A, 6th Floor, Menara Pertam,
Jalan BBP 2, Taman Batu Berendam Putra,
Batu Berendam, 75350 Melaka
MALAYSIA

fold here

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