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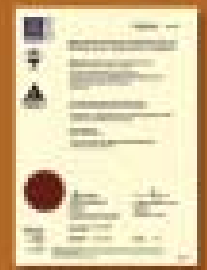
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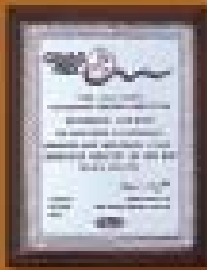
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PROSPECTUS



ORNAPAPER BERHAD

彦武紙業有限公司

(Company No : 573695-W)
(Incorporated in Malaysia under the Companies Act, 1965)



PUBLIC ISSUE OF 8,000,000 NEW ORDINARY SHARES OF RM1.00 EACH COMPRISING:-

- 1,020,000 NEW ORDINARY SHARES OF RM1.00 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 3,880,000 NEW ORDINARY SHARES OF RM1.00 EACH BY WAY OF PLACEMENT; AND
- 3,100,000 NEW ORDINARY SHARES OF RM1.00 EACH TO ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES OF ORNAPAPER BERHAD AND ITS SUBSIDIARIES;

AND

OFFER FOR SALE OF 5,320,000 ORDINARY SHARES OF RM1.00 EACH COMPRISING:-

- 4,340,000 ORDINARY SHARES OF RM1.00 EACH TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY; AND
- 980,000 ORDINARY SHARES OF RM1.00 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC

AT AN ISSUE/OFFER PRICE OF RM1.60 PER ORDINARY SHARE OF RM1.00 EACH PAYABLE IN FULL ON APPLICATION IN CONJUNCTION WITH ITS LISTING ON THE MAIN BOARD OF THE KUALA LUMPUR STOCK EXCHANGE

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" AS SET OUT IN SECTION 3 HEREOF

Adviser, Managing Underwriter and Placement Agent



AmMerchant Bank Berhad

(Formerly known as Arab-Malaysian Merchant Bank Berhad) (23742-V)
A member of the AmBank Group

THIS PROSPECTUS IS DATED 24 DECEMBER 2002

This Prospectus has been seen and approved by the directors and promoters of Ornapaper Berhad ("Ornapaper") and the offerors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

The Adviser and Managing Underwriter acknowledge that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the public issue / offer for sale and are satisfied that any profit estimate/forecast (for which the directors of Ornapaper are fully responsible) prepared for inclusion in the prospectus have been stated by the directors of Ornapaper after due and careful enquiry and have been duly reviewed by the Reporting Accountants.

The Securities Commission ("SC") has approved the issue / offer in respect of the public offering and that the approval shall not be taken to indicate that the Securities Commission recommends the public offering.

The Securities Commission shall not be liable for any material non-disclosure on the part of Ornapaper and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.

The Kuala Lumpur Stock Exchange ("KLSE") assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Admission to the Official List is not to be taken as an indication of the merits of Ornapaper or of its securities.

A copy of this Prospectus has been registered by the SC and lodged with the Companies Commission of Malaysia who takes no responsibility for its contents.

TENTATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for Ornapaper's entire issued and paid-up share capital of RM62,000,000 comprising 62,000,000 ordinary shares of RM1.00 each on the Main Board of the KLSE is set out below:-

<u>Indicative Date</u>	<u>Event</u>
24 December 2002	Issue of Prospectus/Opening date of the Public Issue / Offer for Sale
8 January 2003	Closing date of the Public Issue / Offer for Sale
13 January 2003	Balloting of Applications
23 January 2003	Despatch of Notices of Allotment of the ordinary shares of Ornapaper to successful applicants
29 January 2003	Listing of the Company's entire issued and paid-up share capital on the Main Board of the KLSE

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES, WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES. THE APPLICATION PERIOD WILL REMAIN OPEN UNTIL 8.00 P.M. ON 8 JANUARY 2003 OR SUCH FURTHER PERIOD OR PERIODS AS THE DIRECTORS AND/OR PROMOTERS OF ORNAPAPER MAY DECIDE.

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Prospectus:-

Acquisitions	— The acquisition of OISB(M) and the acquisition OISB(BP), collectively
Acquisition of OISB(BP)	— The acquisition by Ornapaper of 1,000,000 ordinary shares of RM1.00 each in OISB(BP) representing the entire issued and paid-up share capital of OISB(BP) for a total purchase consideration of RM1,003,662 to be satisfied partly by the issuance of 477,934 Shares in Ornapaper at an issue price of RM1.05 per Share and partly by a cash payment of RM501,831.
Acquisition of OISB(M)	— The acquisition by Ornapaper of 22,727,000 ordinary shares of RM1.00 each in OISB(M) representing the entire issued and paid-up share capital of OISB(M) for a purchase consideration of RM54,779,833 to be satisfied by the issuance of 52,171,270 Shares in Ornapaper at an issue price of RM1.05 per Share.
Act	— Companies Act, 1965
ADA	— Authorised Depository Agent
ADA Code	— ADA (Broker) Code
Application	— Refers to application for the IPO Shares by way of Application Forms or by way of Electronic Share Application
Application Form	— Application for IPO Shares by way of a printed Application Form
AmMerchant Bank	— AmMerchant Bank Berhad (formerly known as Arab-Malaysian Merchant Bank Berhad)
ATM	— Automated Teller Machine
Board	— The Board of Directors of Ornapaper
CDS	— Central Depository System
EBIDTA	— Earnings before interest, depreciation, taxation and amortisation
Electronic Share Application	— Application for IPO Shares through a Participating Financial Institution's ATM
EPS	— Earnings Per Share
FIC	— Foreign Investment Committee
GDP	— Gross Domestic Product
Initial Public Offering or IPO	— Public Issue and Offer for Sale collectively
IPO Shares	— Public Issue Shares and Offer Shares collectively
KLSE	— Kuala Lumpur Stock Exchange
Listing	— Admission to the Official List and the listing of and quotation for the entire issued and paid-up share capital of Ornapaper of RM62,000,000 comprising 62,000,000 Shares on the Main Board of the KLSE

DEFINITIONS (Cont'd)

Malaysian Persons	— Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organized under the laws of Malaysia								
MCD or Central Depository	— Malaysian Central Depository Sdn Bhd, a subsidiary company of KLSE								
MI	— Minority Interests								
MIH or Issuing House	— Malaysian Issuing House Sdn Bhd								
MITI	— Ministry of International Trade and Industry								
NTA	— Net Tangible Assets								
Offer for Sale	— Offer for Sale by the Offerors of 5,320,000 Ornapaper Shares at an offer price of RM1.60 per Ornapaper Share payable in full on application, subject to the terms and conditions of this Prospectus, to be offered as follows:-								
	<table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Offeree</th> <th style="text-align: right;">No. of Ornapaper Shares</th> </tr> </thead> <tbody> <tr> <td>Malaysian Persons</td> <td style="text-align: right;">980,000</td> </tr> <tr> <td>Bumiputera investors approved by MITI</td> <td style="text-align: right;">4,340,000</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>5,320,000</u></td> </tr> </tbody> </table>	Offeree	No. of Ornapaper Shares	Malaysian Persons	980,000	Bumiputera investors approved by MITI	4,340,000	Total	<u>5,320,000</u>
Offeree	No. of Ornapaper Shares								
Malaysian Persons	980,000								
Bumiputera investors approved by MITI	4,340,000								
Total	<u>5,320,000</u>								
Offer Shares	— The 5,320,000 Ornapaper Shares to be offered pursuant to the Offer for Sale								
Offerors	— The Offerors of the Offer for Sale being Gan Peng Teng, Martin Ang Mui Chin, Datuk Ting Chung Cheng, Tan Chin Hwee, Pilihan Sistemik Sdn Bhd, Lembaga Tabung Haji and Intisari Delima Sdn Bhd								
Ornapaper or Company	— Ornapaper Berhad								
Ornapaper Group or the Group	— Ornapaper and its subsidiaries								
OISB(M)	— Ornapaper Industry (M) Sdn Bhd								
OISB(BP)	— Ornapaper Industry (Batu Pahat) Sdn Bhd								
Participating Financial Institution(s)	— Refers to the Participating Financial Institutions for Electronic Share Application as listed in Section 11 of this Prospectus								
PAT	— Profit After Tax								
PBT	— Profit Before Tax								
PE Multiple	— Price Earnings Multiple								
Promoters	— Datuk Ting Chung Cheng, Ang Kwee Teng and See Wan Seng								
Public Issue	— The Public Issue of 8,000,000 new Shares in Ornapaper representing 12.9% of the enlarged issued and paid-up share capital of Ornapaper at an issue price of RM1.60 per Share to eligible employees, directors, and business associates of the Ornapaper Group and the Malaysian public								
Public Issue Shares	— The 8,000,000 new Shares to be issued by Ornapaper pursuant to the Public Issue								

DEFINITIONS (Cont'd)

Rights Issue	— The rights issue of 850,796 new Shares of Ormapaper representing approximately 1.4% of the enlarged issued and paid-up share capital of Ormapaper of an issue price of RM1.00 per Share to the existing shareholders of Ormapaper on the basis of approximately 1.6 Rights Shares for every one hundred (100) Shares held.
Rights Shares	— The 850,796 Shares in Ormapaper to be issued pursuant to the Rights Issue.
Restructuring or Listing Scheme	— The Acquisitions, Rights Issue, Public Issue, Offer for Sale and Listing collectively
RM and sen	— Ringgit Malaysia and sen respectively
SC	— Securities Commission
Share(s)	— Ordinary share(s) of RM1.00 each
Subsidiaries	— OISB(M) and OISB(BP) collectively

TABLE OF CONTENTS

	<i>Page</i>
1. INFORMATION SUMMARY	1
1.1 History and Business	1
1.2 Shareholdings of Promoters, Substantial Shareholders, Directors and Key Management Of Ornapaper	2
1.3 Financial Statistics.....	3
1.4 Summary of Proforma Consolidated Balance Sheets of Ornapaper as at 31 August 2002.....	4
1.5 The Risk Factor	5
1.6 Principal Statistics Relating to the Initial Public Offering.....	5
1.7 Utilisation Proceeds	7
1.8 Material Litigation, Commitments and Contingent Liabilities	7
2. DETAILS OF IPO	8
2.1 Share Capital	9
2.2 Basis of Arriving at the Indicative Issue Price	10
2.3 Particulars of the IPO	10
2.4 Critical dates of the IPO	11
2.5 Purposes of the IPO.....	11
2.6 Utilisation of Proceeds	12
2.7 Brokerage and Underwriting Commission	13
2.8 Details of the Underwriting Agreement.....	14
2.9 Approvals from Authorities.....	21
3. RISK FACTORS	25
4. INFORMATION ON THE ORNAPAPER GROUP.....	31
4.1 Incorporation.....	31
4.2 Share Capital and Changes in Share Capital	31
4.3 Restructuring Scheme.....	32
4.4 Business Overview	33
4.5 Subsidiary Companies	52
4.6 Industry Overview & Prospects of Ornapaper.....	56
4.7 Major Customers	61
4.8 Major Suppliers.....	62
4.9 Future Plans and Strategies of Ornapaper	62
5. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.....	64
5.1 Promoters and Major Shareholders	64
5.2 Board of Directors.....	65
5.3 Management Team	67
5.4 Family Relationship.....	69
5.5 Audit Committee	69
5.6 Continuity in Management	69
5.7 Changes in Shareholders and Shareholdings for the Past Three (3) Years.....	69
6. INFORMATION ON ORNAPAPER	70
6.1 Approvals, Major Licenses and Permits.....	70
6.2 Related Party Transactions.....	70
6.3 Summary of Landed Properties	73

TABLE OF CONTENTS (Cont'd)

	<i>Page</i>
7. FINANCIAL INFORMATION	74
7.1 Consolidated Profit and Dividend Record.....	74
7.2 Directors' Declaration on Financial Performance.....	75
7.3 Segmental Analysis of Revenue and Profits.....	75
7.4 Working Capital, Borrowings Contingent Liabilities and Capital Commitments.....	76
7.5 Consolidated Profit Estimate, Forecast and Assumptions.....	77
7.6 Auditors' Letter on the Consolidated Profit Forecast of the Ornapaper Group for the Financial Year Ending 31 December 2002 together with the bases and assumptions contained herein.....	79
7.7 Directors' Commentary on Achievability of Profit Estimate and Forecast.....	82
7.8 Dividend Forecast and Policy.....	83
7.9 Proforma Consolidated Balance Sheets of Ornapaper Group.....	84
7.10 Auditors' Letter on the Proforma Consolidated Balance Sheets.....	88
8. DIRECTORS' REPORT	89
9. ACCOUNTANTS' REPORT	90
10. STATUTORY AND GENERAL INFORMATION	115
10.1 Share Capital.....	115
10.2 Articles of Association.....	115
10.3 Directors and Substantial Shareholders.....	123
10.4 General.....	126
10.5 Material Contracts.....	127
10.6 Public Take-Overs.....	128
10.7 Material Litigation.....	129
10.8 Consents.....	129
10.9 Documents for Inspection.....	129
10.10 Responsibility.....	130
11. PROCEDURE FOR APPLICATION AND ACCEPTANCES	131
11.1 Opening and Closing of Application List.....	131
11.2 Procedures for Application.....	131
11.3 Applications and Acceptances.....	133
11.4 CDS Accounts.....	134
11.5 Notice of Allotment.....	134
11.6 Formalising of CDS Account.....	134
11.7 List of Authorised Depository Agents.....	135
11.8 Terms and Conditions for Applications Using Application Forms.....	146
11.9 Terms and Conditions for Electronic Share Applications.....	148
11.10 Steps for Electronic Share Application through a Participating Financial Institution's	150

CORPORATE INFORMATION

BOARD OF DIRECTORS

Name (Directorship/Position held)	Address	Occupation	Nationality
Datuk Ting Chung Cheng (Managing Director)	8998 Kawasan Perindustrian Peringkat IV, Batu Berendam, 75350 Melaka	Company Director	Taiwanese
Ang Kwee Teng (Executive Director)	No. 610-F, Taman Bukit Melaka, Bukit Beruang, 75450 Melaka	Company Director	Malaysian
See Wan Seng (Executive Director)	107H, Taman Peringgit Jaya, 75400 Melaka	Company Director	Malaysian
Tuan Haji Azhar Bin Nayan (Non-Executive Director)	No.7, Jalan Mulia 2/1, Bukit Antarabangsa, 68000 Ampang	Company Director	Malaysian
Siow Kee Yen (Independent Non-Executive Director)	125, Tmn ASEAN, Jalan Malim 75250 Melaka	Company Director	Malaysian
Adillah Binti Ahmad Nordin (Independent Non-Executive Director)	4, Jalan Merbok 1/6, Taman Merbok, Bukit Baru, 75150 Melaka	Company Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Siow Kee Yen	Chairman	Independent Non-Executive Director
Adillah Binti Ahmad Nordin	Member	Independent Non-Executive Director
Datuk Ting Chung Cheng	Member	Managing Director

1. CORPORATE INFORMATION (Cont'd)

- COMPANY SECRETARY** : Chua Siew Chuan (MAICSA 0777689)
No.6, Jalan SS 14/8E, Subang Jaya, 47500
Petaling Jaya, Selangor
- Sean Ne Teo (LS 008058)
No. 334-B, Jalan Teratai 3
Taman Bunga Raya
75450 Bukit Beruang
Melaka
- REGISTERED OFFICE** : Graha Maju Bangunan PKNM
Tingkat 10-Lot 1A
Jalan Graha Maju
75300 Melaka
Tel : (06)-2840393
Fax : (06)-2817481
- HEAD OFFICE** : No. 8998, Kawasan Perindustrian Peringkat IV
Batu Berendam
75350 Melaka
Tel : (06)-3355888
Fax : (06)-3342020
Email : orna@pc.jaring.my
Website : www.ornapaper.com
- REGISTRARS & TRANSFER OFFICE** : Tenaga Korporat Sdn Bhd
20th Floor, Plaza Permata
Jalan Kampar
Off Jalan Tun Razak
50400 Kuala Lumpur
Tel No. : 03-40416522
Fax No. : 03-40426352
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd
27th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah,
50100 Kuala Lumpur
- PRINCIPAL BANKERS** : OCBC Bank Malaysia Berhad
6, Lorong Hang Jebat
75200 Melaka
- Malayan Banking Berhad
138-142, Jalan Suria 2
Taman Malim Jaya
75250 Melaka
- Bank Islam Malaysia Berhad
Lot 11 & 12, Plaza Melaka
Jalan Hang Tuah
75750 Melaka

1. CORPORATE INFORMATION (Cont'd)

United Overseas Bank (Malaysia) Berhad
138-142, Jalan Suria 2
Taman Malim Jaya
75250 Melaka

AmBank Berhad (*formerly known as Arab-Malaysian Bank Berhad*)
No. 1 & 3, Taman Melaka Raya 13
75000 Melaka

Hong Leong Bank Berhad
No.313, 315, 317, Jalan Ong Kim Wee
75300 Melaka

AUDITORS AND REPORTING ACCOUNTANTS

: Ernst & Young
Graha Maju Bangunan PKNM
Tingkat 10 Lot 1
Jalan Graha Maju
75300 Melaka

SOLICITORS FOR THE IPO

: Tay Tee & Nasir
No.6-1, Jalan Tun Sambanthan 3
Off Jalan Tun Sambanthan (Jalan Brickfields)
50470 Kuala Lumpur

SOLICITORS FOR THE ORNAPAPER GROUP

: Yap Koon Roy & Associates
No.47-B (1st Floor)
Jalan Ong Kim Wee
75300 Melaka

ADVISER, MANAGING UNDERWRITER AND PLACEMENT

: AmMerchant Bank Berhad (*formerly known as Arab-Malaysian Merchant Bank Berhad*)
22nd Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur

UNDERWRITERS

: AmMerchant Bank Berhad (*formerly known as Arab-Malaysian Merchant Bank Berhad*)
22nd Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur

: AmSecurities Sdn Bhd (*formerly known as Arab-Malaysian Securities Sdn Bhd*)
15th Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur

LISTING SOUGHT

: Main Board of the Kuala Lumpur Stock Exchange

ORNAPAPER BERHAD

(Company No.573695-W)
(Incorporated in Malaysia under the Companies Act, 1965)

1. INFORMATION SUMMARY

THE FOLLOWING INFORMATION SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE ORNAPAPER GROUP, AND SHOULD BE READ AND UNDERSTOOD IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST.

1.1 History and Business

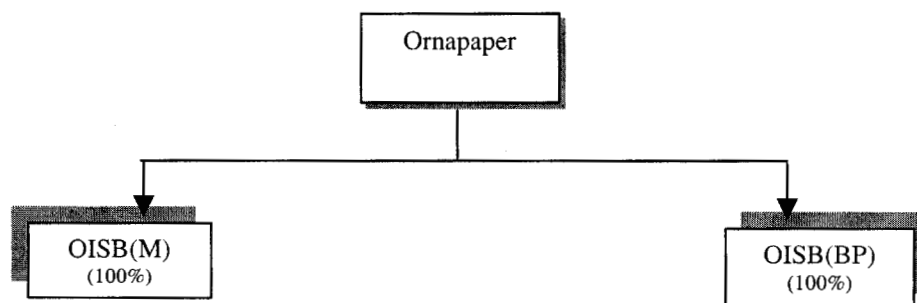
Ornapaper was incorporated in Malaysia under the Companies Act, 1965 on 12 March 2002 as a public company. It is principally an investment holding company whilst its subsidiaries are principally in the manufacturing and sale of corrugated cartons and boards.

The Group is principally involved in the designing, manufacturing and sale of corrugated carton packaging products such as corrugated boards and cartons for the packaging of electronics and electrical, food, beverage and tobacco, furniture and textile and other products according to the customers' specifications. The Company serves the packaging needs of various industries in Peninsular Malaysia by supplying a range of corrugated paper packaging products of different configurations and sizes. Ornapaper serves a wide range of customers which includes local and multi-national companies ("MNCs") as well as other converters who do not own a corrugator plant.

The Group's present corrugator plant has an installed production capacity of 7,000 metric tonnes ("MT") per month or 84,000 MT per annum based on two (2) shifts and the present utilization rate is approximately 65% of the installed production capacity or 4,540 MT per month. As at 30 November 2002, the Group employed 376 employees.

The business was first founded by Datuk Ting Chung Cheng when OISB(M) was incorporated on 24 July 1990. The business started its operations by focusing only on the manufacturing of corrugated carton boxes with corrugated boards purchased from upstream suppliers in rented premises in Melaka. Riding on the economic boom in the early nineties and with its continuous re-investment programme, OISB(M) moved upstream by commissioning a 2.5m wide 250mpm fully computerised corrugator plant in 1997. Today, Ornapaper operates both as a corrugator and converter. Currently, Ornapaper also owns a converter plant in Batu Pahat, Johor, held under OISB(BP) which was incorporated on 26 November 1996. The Group also holds a 15% equity stake in a converter, Ornapaper Industry (Penang) Sdn Bhd.

An overview of the Ornapaper Group's corporate structure is set out as below:-



1. INFORMATION SUMMARY (Cont'd)

Details of the subsidiary companies of Ornapaper are summarised below:-

Name	Date and place of incorporation	Issued and paid-up share capital (RM)	Effective Equity Interest (%)	Principal Activities
OISB(M)	24 July 1990 Malaysia	22,727,000	100.00	Manufacture of corrugated boards and carton boxes
OISB(BP)	26 November 1996 Malaysia	1,000,000	100.00	Manufacturing and trading of carton boxes

Further information on the Ornapaper Group is set out in Section 6 of this Prospectus.

1.2 Shareholdings of Promoters, Substantial Shareholders, Directors and Key Management of Ornapaper

Designation	Final shareholdings after the listing of Ornapaper				
	<-----Direct----->		<-----Indirect----->		
Promoters					
Datuk Ting Chung Cheng	Managing Director	8,368,649	13.50	-	-
Ang Kwee Teng	Executive Director	-	-	18,634,888 [^]	30.06
See Wan Seng	Executive Director	-	-	18,634,888 [^]	30.06
Substantial Shareholders					
Datuk Ting Chung Cheng	Managing Director	8,368,649	13.50	-	-
Pilihan SistematiK Sdn Bhd	-	4,184,324	6.75	-	-
Intisari Delima Sdn Bhd	-	18,634,888	30.06	-	-
Lembaga Tabung Haji	-	14,268,545	23.01	-	-
Ang Kwee Teng	Executive Director	-	-	18,634,888 [^]	30.06
See Wan Seng	Executive Director	-	-	18,634,888 [^]	30.06
Sai Han Siong	-	-	-	4,184,324 [*]	6.75
Sai Tzy Horng	-	-	-	4,184,324 [*]	6.75
Directors					
Datuk Ting Chung Cheng	Managing Director	8,368,649	13.50	-	-
Ang Kwee Teng	Executive Director	-	-	18,634,888 [^]	30.06
See Wan Seng	Executive Director	-	-	18,634,888 [^]	30.06
Tuan Haji Azhar B. Nayan	Non-Executive Director	25,000 [#]	0.04	-	-
Siow Kee Yen	Independent Non-Executive Director	15,000 [#]	0.02	-	-
Adillah binti Ahmad Nordin	Independent Non-Executive Director	20,000 [#]	0.03	-	-
Key Management					
Paul Leong Liang Lee Ming @ Leong Lee Ming	Plant Manager	150,000	0.24	-	-
Chen Chung Sin, Jack	Assistant General Manager	100,000	0.16	-	-
Tan Kim Soon	Sales Manager	110,000	0.18	-	-
Ong Jek Choon	Planning, Raw Material and Purchasing Manager	109,000	0.18	-	-
Lin Chin Yi	Production Manager (Converting Department)	110,000	0.18	-	-
Cheong Sook Yam	Head of Account	36,000	0.06	-	-
Tan Chin Hwee	Director of OISB(BP)	470,586 ^α	0.76	-	-
Foo Chee Juin	Director of OISB(BP)	35,000 [#]	0.06	-	-
Leong Yoke Kam	Director of OISB(BP)	20,000 [#]	0.03	-	-

- [^] Deemed interested by virtue of his substantial shareholdings in Intisari Delima Sdn Bhd
^{*} Deemed interested by virtue of his substantial shareholdings in Pilihan SistematiK Sdn Bhd
[#] Pursuant to pink form allocation
^α Includes 35,000 Shares pursuant to pink form allocation

Further information on the Promoters, Substantial Shareholders, Directors and Key Management of Ornapaper are set out in Section 5 of this Prospectus

1. INFORMATION SUMMARY (Cont'd)**1.3 Financial Statistics**

The following table has been extracted from the Accountants' Report in Section 9 of this Prospectus and should be read in conjunction with the notes and assumptions thereto.

A summary of the proforma consolidated audited results of the Ornapaper Group for the five (5) financial years ended 31 December 1997 to 2001 and eight (8) month period ended 31 August 2002 has been prepared for illustrative purposes only based on the audited accounts of the Ornapaper Group and the assumption that the current structure of the Ornapaper Group upon completion of the Acquisitions has been in existence throughout the period under review:-

	Financial Year Ended					
	31.12.1997 RM'000	31.12.1998 RM'000	31.12.1999 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	8 months ended 31 August 2002 RM'000
Turnover	64,781	74,426	95,494	142,011	114,293	75,902
EBIDTA	12,970	15,525	16,564	20,648	19,103	12,346
Interest expense	(4,634)	(10,177)	(7,366)	(6,587)	(4,675)	(1,757)
Depreciation and Amortisation	(2,266)	(3,838)	(3,712)	(4,000)	(3,853)	(2,538)
Profit before exceptional items	6,070	1,510	5,486	10,061	10,575	8,051
Exceptional items	-	-	-	-	-	-
Share of profits/losses of associated companies	-	-	-	-	-	-
PBT	6,070	1,510	5,486	10,061	10,575	8,051
Taxation	(1,125)	4	-	(732)	(735)	(551)
Profit from ordinary activities	4,945	1,514	5,486	9,329	9,840	7,500
Extraordinary items	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-
Net profit	4,945	1,514	5,486	9,329	9,840	7,500
No. of Shares assumed to be in issue of RM1.00 each ('000)	53,149	53,149	53,149	53,149	53,149	53,149
Gross EPS (RM)^	0.11	0.03	0.10	0.19	0.20	0.23*
Net EPS (RM)^	0.09	0.03	0.10	0.18	0.19	0.21*
Dividend Rate (%)	-	-	-	-	-	-

Notes:-

* Annualised

- (i) For financial year period ended 31 December 1998, turnover increased by 15% mainly due to its efforts in forming strategic alliances with local converters throughout the Peninsular of Malaysia. However, profit before taxation declined by 75% when compared to the previous corresponding period as a result of its competitive pricing policy and rising interest expense mainly due from additional hire purchase financing for the purchase of additional plant and machinery.
- (ii) Turnover increased by 28% in financial year period ended 31 December 1999 due mainly to improved orders from both its existing customers and its strategic alliance converters. Correspondingly, profit before taxation increased by 263% mainly aided by the reduced interest expense. No taxation was provided for the financial year 1999 as the financial year falls in the year of assessment 2000 where tax on income earned is waived in accordance with Section 8 of the Income Tax (Amendment) Act, 1990.
- (iii) Both the turnover and profit before taxation increased 49% and 83% respective as a result of the improved economy in year 2000. This was despite the fact the paper roll costs increased 17% from the previous corresponding period. The effective tax rate for the year is less than the standard rate of tax applicable was due principally to the claims of reinvestment allowances under the Income Tax Act, 1967.
- (iv) Despite the turnover declining by 20% in financial year period ended 31 December 2001, profit before taxation increased 5% mainly attributed to the Group's strategy to reduce wastage and reduced interest expense. The effective tax rate for the year is less than the standard rate of tax applicable was due principally to the claims of reinvestment allowances under the Income Tax Act, 1967.
- (v) The annualised revenue for the year 2002 is 0.38% lower than the preceding year mainly due to the seasonal factors whereby revenue for the second half of the financial year would normally be higher compared to first half of the year. Ornapaper recorded revenue of RM75.90 million with a pretax profit of RM8.05 million

^ The proforma gross earning per share and net earning per share is computed based on the number of shares assumed to be issued of 53,149,000 shares before the rights issue and public issue.

** There were no extraordinary items in respect of the financial years under review.

The analysis and commentary of the Ornapaper Group are set out in Section 7 of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)**1.4 Summary of Proforma Consolidated Balance Sheets of Ornapaper as at 31 August 2002**

	Proforma Group as at 31.08.02	(I) After Share Issue	(II) After (I) and Acquisitions	(III) After (II) and Rights Issue	(IV) After (III) and Public Issue
	(RM)	(RM)	(RM)	(RM)	(RM)
NON-CURRENT ASSETS					
PROPERTY, PLANT AND EQUIPMENT	-	-	62,845,507	62,845,507	62,845,507
OTHER INVESTMENT	-	-	269,400	269,400	269,400
	-	-	63,114,907	63,114,907	63,114,907
CURRENT ASSETS					
Inventories	-	-	15,084,528	15,084,528	15,084,528
Trade debtors	-	-	30,740,507	30,740,507	30,740,507
Other receivables	944,233	944,233	3,890,387	3,890,387	3,890,387
Cash and bank balances	2	500,000	7,092,347	7,943,143	11,895,143
	944,235	1,444,233	56,807,769	57,658,565	61,610,565
CURRENT LIABILITIES					
Short term borrowings	-	-	38,485,680	38,485,680	36,525,672
Trade payables	-	-	6,390,282	6,390,282	6,390,282
Other payables	951,518	951,518	5,000,688	5,000,688	5,000,688
Taxation	-	-	34,318	34,318	34,318
	951,518	951,518	49,910,968	49,910,968	47,950,960
NET CURRENT (LIABILITIES)/ ASSETS	(7,285)	492,715	6,896,801	7,747,597	13,659,605
	(7,285)	492,715	70,011,708	70,862,504	76,774,512
FINANCED BY:					
Share capital	2	500,000	53,149,204	54,000,000	62,000,000
Reserves	(7,285)	(7,285)	2,625,175	2,625,175	5,425,175
Shareholders' equity	(7,283)	492,715	55,774,379	56,625,175	67,425,175
Reserves on consolidation	-	-	7,727,476	7,727,476	7,727,476
	(7,283)	492,715	63,501,855	64,352,651	75,152,651
LONG TERM LIABILITIES					
Hire purchase and lease payables	-	-	5,732,853	5,732,853	844,861
Deferred taxation	-	-	777,000	777,000	777,000
	-	-	6,509,853	6,509,853	1,621,861
	(7,283)	492,715	70,011,708	70,862,504	76,774,512
Net Tangible Asset per share (RM)	(3.642)	0.99	1.19	1.19	1.21

Notes:

(i) The notes to the proforma consolidated balance sheets as at 31 August 2002 are set out as in Section 7 of the Prospectus.

1. INFORMATION SUMMARY (Cont'd)

1.5 The Risk Factors

The following are a list of some of the main risk factors (which may not be exhaustive) as extracted from Section 3 of this Prospectus which applicants for the Public Issue should carefully consider in addition to other information contained elsewhere in this Prospectus before applying for the Public Issue:-

- (a) Business Risks;
- (b) No Prior Market for Ornapaper's Shares;
- (c) Political, Economic and Regulatory Considerations;
- (d) Dependence on Key Management;
- (e) Competitive Risk;
- (f) Profit Estimate and Forecast;
- (g) Dependency of Packaging Industry to Manufacturing Sector;
- (h) Fluctuation of Raw Material Prices;
- (i) Exchange Rate Risk;
- (j) Product Substitutes;
- (k) Market Price War;
- (l) Capital Market Risks;
- (m) Borrowings;
- (n) Failure/Delay in Listing Exercise;
- (o) Adequacy of Insurance Coverage on the Group's assets;
- (p) System Disruption
- (q) Control of Major Shareholders

Details of the risk factors are contained in Section 3 of this Prospectus

1.6 Principal Statistics Relating to the Initial Public Offering

The following statistics relating to the IPO are derived from the full text of this Prospectus and should be read in conjunction with the text.

	RM
AUTHORISED SHARE CAPITAL	
100,000,000 Shares	<u>100,000,000</u>
ISSUED AND FULLY PAID-UP SHARE CAPITAL :	
• 54,000,000 Shares	54,000,000
<i>To be issued pursuant to the Public Issue:</i>	
• 8,000,000 new Shares	<u>8,000,000</u>
Enlarged Share Capital	<u>62,000,000</u>
TO BE OFFERED FOR SALE PURSUANT TO THE OFFER FOR SALE	
• 5,320,000 new Shares	
IPO PRICE PER SHARE (RM)	1.60
PROFORMA CONSOLIDATED NTA	
Proforma Consolidated NTA as at 31 August 2002 (after taking into account the Public Issue and estimated listing expenses of RM2,000,000) (RM)	75,152,651
Proforma Consolidated NTA per Share (RM)	1.21

1. INFORMATION SUMMARY (Cont'd)**PROFORMA CONSOLIDATED PROFIT
ESTIMATE AND FORECAST**

	Estimate for financial year ending 31.12.2002 (RM'000)	Forecast for financial year ending 31.12.2003 (RM'000)
Turnover	112,288	126,339
Consolidated PBT	11,989	17,215
Less : Taxation	(720)	(4,626)
Consolidated PAT before pre-acquisition profits	11,269	12,589
Less : Pre-acquisition profits	(10,330)	-
Consolidated PAT after pre-acquisition profits	939	12,589
No. of Shares ('000)	4,476#	62,000
Gross EPS (Sen)	22.32^	27.77*
Net EPS (Sen)	20.98^	20.30*
Gross PE multiple based on the IPO price of RM1.60 per share (times)	7.17	5.76
Net PE based on the IPO price of RM1.60 per share (times)	7.63	7.88

Weighted average number of Shares

* Based on enlarged capital of 62,000,000 Shares

^ Based on weighted average number of shares of 4,476,000 Shares

DIVIDEND FORECAST

	Forecast Financial year ending 31.12.2003
Tax-exempt dividend per Share (sen)	5.00
Dividend yield based on the IPO price of RM1.60 per Share	3.12
Net dividend cover (times)	4.06

Note: No dividend will be proposed for financial year ended 31 December 2002. Upon the listing of Ornapaper, the forecast year will be financial year ending 31.12.2003 and hence the dividend forecast is illustrated as above.

There is only one (1) class of Shares in the Company, namely ordinary shares of RM1.00 each, all of which rank pari-passu with one another. The IPO Shares to be issued pursuant to this Prospectus will rank pari passu in all aspects with the existing Shares of the Company including voting rights and rights to all dividends that may be declared, subsequent to the date of allotment of the IPO Shares.

Futher information on the future financial information of the Ornapaper Group is set out in Sections 7 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)**1.7 Utilisation Of Proceeds**

Ornapaper will receive proceeds from its listing exercise from the issuance of the Rights Issue and the Public Issue. Ornapaper intends to use the proceeds from the Rights Issue and the Public Issue in the following manner:-

	RM'000
Proceeds	
(i) Rights Issue	851
(ii) Public Issue	12,800
	13,651
Utilisation	
i) Repayment of hire purchase facilities	6,848
ii) Working Capital	4,803
iii) Estimated listing expenses	2,000
	13,651

Ornapaper will bear all other expenses incidental to the listing and quotation of Ornapaper's Shares on the Main Board of the KLSE which include underwriting commission, brokerage, registration fees, professional fees, SC fees, advertising, listing expenses and other fees the aggregate of which is estimated to be approximately RM2.0 million.

The Offer for Sale will raise gross proceeds of RM8,512,000. This amount shall accrue to the Offeror and no part of the proceeds is receivable by Ornapaper. The Offeror shall bear all expenses, such as underwriting commission, brokerage, registration fee and share transfer fee relating to the Offer Shares.

For a detailed commentary of the above mentioned proceeds, please refer to Section 2.6 of this Prospectus.

1.8 Material Litigation, Commitments and Contingent Liabilities

As at 19 December 2002 (being the last practicable date prior to the printing of this Prospectus):-

a) The Company and its subsidiaries are not engaged in any material litigation whether, as plaintiff or defendant, and the Board of Directors have no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of the Company and its subsidiaries.

b) Save as disclosed below, the Group has no other material commitments:-

By five (5) separate sale and purchase agreements all dated 4 March 2002 between OISB(M) and Fairway Review Sdn Bhd ("FRSB"), OISB(M) agreed to purchase and FRSB agreed to sell five parcels of industrial lands held under HS(M) 471 to HS(M) 475 PT No. 4960 to PT No. 4964 all of Mukim Bachang, Daerah Melaka Tengah, Negeri Melaka for a total cash consideration of RM2,500,000 only. The completion date for all the abovementioned sale and purchase agreements is four (4) months from the date of receipt of the consent to transfer from the State Authority.

c) The Ornapaper Group has no contingent liabilities.

Further information on all material litigation, arbitration, commitments and contingent liabilities is set out in Section 10 of this Prospectus.