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**2. DETAILS OF THE IPO**

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This Prospectus is dated 24 December 2002

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

**The approval of the SC obtained vide its letters dated 27 August 2002 and 7 October 2002 shall not be taken to indicate that the SC recommends the IPO, and that investors should rely on their own evaluation to assess the merits and risks of the IPO.**

Application will be made to the KLSE within three (3) market days of the issuance of this Prospectus for admission of Ornapaper to the Official List and for the listing of and quotation for the issued and fully paid-up share capital of Ornapaper on the Main Board of the KLSE. These Shares will be admitted to the Official List on the Main Board of the KLSE and official quotation will commence upon receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Acceptance of applications for the IPO Shares will be conditional upon permission being granted by the KLSE to deal in and for the quotation of the entire enlarged issued and fully paid-up Shares on the Main Board of the KLSE. Accordingly, monies paid in respect of any application accepted from the IPO will be returned if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC).

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39 (1)(j) of the Act, KLSE has prescribed Ornapaper as a prescribed security. In consequence thereof, the Shares issued through this Prospectus will be deposited directly with the MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.

An applicant should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code.

The KLSE assumes no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List of the Main Board of the KLSE is not to be taken as an indication of the merits of the Company or of its Shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by Ornapaper. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Ornapaper since the date hereof.

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the IPO shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation

**If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional adviser.**

**2. DETAILS OF THE IPO (Cont'd)****2.1 Share Capital**

	RM
<i>Authorised:-</i> 100,000,000 Shares	100,000,000
<i>Issued and fully paid-up :-</i> • 54,000,000 Shares	54,000,000
<i>To be issued pursuant to the Public Issue :-</i> • 8,000,000 new Shares	8,000,000
Enlarged Share Capital	62,000,000

The Public Issue and Offer for Sale will be issued and offered to the following:-

	Proposed Public Issue		Proposed Offer for Sale	
	No. of Shares	% of the enlarged Share Capital	No. of Shares	% of the enlarged Share Capital
Eligible Directors and employees and business associates of the Ornapaper Group	3,100,000	5.0	-	-
Bumiputera Investors approved by the Ministry of International Trade and Industries	-	-	4,340,000	7.0
Malaysian Public (via balloting)	1,020,000	1.6	980,000	1.6
Malaysian Public (via Placement)	3,880,000	6.3	-	-
<b>Total</b>	<b>8,000,000</b>	<b>12.9</b>	<b>5,320,000</b>	<b>8.6</b>

There is only one class of shares in the Company, namely ordinary shares of RM1.00. The IPO Shares will rank pari passu in all respect with the existing Shares of the Company including voting rights and rights to all dividends the entitlement of which is subsequent to the allotment of the IPO Shares.

Subject to any special rights attaching to any Shares which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and the whole of any surplus in the event of the liquidation of the Company.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on show of hands, every person present who is a shareholder or representatives or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representatives shall have one vote for each Share held.

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**2. DETAILS OF THE IPO (Cont'd)**


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**2.2 Basis of Arriving at the Indicative Issue Price**

The IPO price of RM1.60 per Share was determined and agreed upon by Ornapaper and AmMerchant Bank as Adviser and Managing Underwriter based on various factors including the following:-

- i) the proforma consolidated NTA per Share of Ornapaper as at 31 August 2002 of RM1.21. The IPO price of RM1.60 per Share represents a premium of RM0.39 or 32.2% to the proforma consolidated NTA per Share;
- ii) the proforma consolidated forecast net PE multiple of approximately 7.88 times is based on the proforma consolidated forecast net EPS of 20.30 sen for the financial year ending 31 December 2003 and the IPO price of RM1.60 per Share; and
- iii) the future plans and prospects of the Ornapaper Group as outlined in Section 4 of this Prospectus.

The Directors of the Ornapaper Group, the Offeror and AmMerchant Bank are of the opinion that the indicative IPO price is fair and reasonable after careful consideration of the abovementioned factors.

However, shareholders should also note that the market price of Ornapaper shares upon listing on the KLSE are subject to the vagaries of the market forces and other uncertainties which may affect the price of Ornapaper shares being traded.

Investors should form their own views on the valuation of the Shares and the reasonableness of the basis used.

**2.3 Particulars of the IPO**
Public Issue Shares

The Public Issue of 8,000,000 Shares at an issue price of RM1.60 per Share is payable in full on application upon such terms and conditions as set out in this Prospectus.

The 8,000,000 Shares arising from the IPO will be allocated and allotted in the following manner:-

- (i) 1,020,000 of the Public Issue Shares will be made available for application by Malaysian Persons, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions;
- (ii) 3,880,000 of the Public Issue Shares will be placed to investors (who are deemed public) which have been/to be identified; and
- (iii) 3,100,000 of the Public Issue Shares have been reserved for eligible employees, Directors and business associates of the Ornapaper Group.

The Public Issue Shares of 8,000,000 Shares represents approximately 12.9% of the enlarged issued and paid-up share capital of 62,000,000 Shares.

The Public Issue Shares in respect of paragraph (i) and (iii) have been fully underwritten. Any Shares in respect of paragraph (ii) not subscribed for by the eligible employees, Directors, and business associates of the Ornapaper Group will be made available for application by the Malaysian public.

The Public Issue Shares in respect of paragraph (i) and (iii) have been fully underwritten at an underwriting commission of 2.5% of the IPO price of RM1.60 per Share.

## 2. DETAILS OF THE IPO (Cont'd)

### Offer Shares

5,320,000 Offer Shares at an offer price of RM1.60 per Share is payable in full on application upon such terms and condition as set out in this Prospectus. The Offer Shares will be allocated and allotted in the following manner:-

- (i) 4,340,000 Offer Shares will be made to Bumiputera investors approved by MITI; and
- (ii) 980,000 Offer Shares will be made available for application by Malaysian Persons.

4,340,000 Offer Shares that will be made available for the Bumiputera investors to be approved by MITI will not be underwritten.

The Offer Shares in (ii) have been fully underwritten at an underwriting commission of 2.5% of the IPO price of RM1.60 per Share.

### 2.4 Critical dates of the IPO

Events	Tentative Date
Date of Prospectus	24 December 2002
Opening and Closing of Application List for the IPO	8 January 2003
Balloting of Applications	13 January 2003
Despatch of Notices of Allotment of the Shares of Ornapaper to successful applicants	23 January 2003
Listing of the Company's entire issued and paid up share capital on the Main Board of the KLSE	29 January 2003

### 2.5 Purposes of the IPO

The purposes of the IPO are as follows:-

- (i) the listing of Ornapaper Shares on the Main Board of the KLSE is expected to further enhance the Group's corporate reputation and assist the Group in expanding its customer base;
- (ii) to provide an opportunity for Malaysian investors and institutions and the eligible employees, Directors and business associates of the Ornapaper Group to participate in the equity and continuing growth of the Ornapaper Group;
- (iii) to enable the Ornapaper Group to gain access to the capital markets for funds for its future expansion and growth;
- (iv) to obtain a listing of and quotation for Ornapaper's entire issued and paid-up share capital of Ornapaper Shares on the Main Board of the KLSE; and
- (v) to comply with National Development Policy requirements in respect of Bumiputera equity participation of Ornapaper.

## 2. DETAILS OF THE IPO (Cont'd)

### 2.6 Utilisation of Proceeds

Ornapaper will receive the aforesaid 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
i)	Repayment of hire purchase facility	6,848
ii)	Working Capital	4,803
iii)	Estimate listing expenses	2,000
<b>Total proceeds</b>		<b>13,651</b>

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 fee, 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 Offerors and no part of the proceeds is receivable by Ornapaper. The Offerors shall bear all expenses, such as underwriting commission, brokerage, registration fee and share transfer fee relating to the Offer Shares.

There is no minimum subscription to be raised from the Public Issue as the Public Issue Shares are fully underwritten. Brief details on the utilisation of proceeds are as follows:

#### Notes:-

#### 1. *Repayment of Hire Purchase Facility*

The Ornapaper Group proposes to repay part of the following hire purchase facility:-

Name of Borrower	OISB(M)
Name of lender	Mayban Finance Berhad
Type of Facility	Blanket Hire Purchase
Purpose of Facility	To finance the purchase of plant and machinery
Facility Limit	RM10,000,000
Amount Outstanding estimated for 31 December 2002	RM8,161,247
Interest Rate	7.5% per annum
Repayment of Hire Purchase (Principal) for 31 December 2002	RM6,847,650
Interest Savings (Estimated)	RM1,313,597

#### 2. *Working Capital*

Of the total proceeds, RM4,803,146 will be used as general working capital for the Ornapaper Group including the payment of creditors, salaries, purchase of raw materials/stock and operating expenses.

## 2. DETAILS OF THE IPO (Cont'd)

### 3. *Estimated Listing Expenses*

The listing expenses are estimated at RM2,000,000.

	RM
Professional fees	1,000,000
Fees of the authorities	150,000
Underwriting fee	204,000
Management fee	40,800
Placement fee	65,840
Brokerage fee	65,920
Printing and advertising fees	350,000
Miscellaneous	123,440
<b>Total</b>	<b>2,000,000</b>

As the listing proceeds are only expected to be received in early 2003, it is not expected to have a financial impact on the Group for the financial year ending 31 December 2002. The Group is expected to utilise the listing proceeds for the repayment of its hire purchase facility and listing expenses by first quarter of year 2003. The remainder of the proceeds will be utilised as working capital.

The utilisation of the proceeds by the Group is expected to have a positive financial impact on the Group for the financial year ending 31 December 2003 as follows:-

	Without Listing Proceeds (RM'000)	With Listing Proceeds (RM'000)
<b>Financial Year Ending 31 December 2003<sup>^</sup></b>		
Consolidated PBT after exceptional items	16,374	17,215
Consolidated PAT	11,978	12,589

<sup>^</sup> *There will not be any impact for financial year ended 31 December 2002 in view that the proceeds will only be received in year 2003*

### 2.7 Brokerage and Underwriting Commission

The Underwriters mentioned earlier in this Prospectus have agreed to underwrite the 5,100,000 IPO Shares to be offered to the Malaysian public, employees, Directors and business associates of the Ornapaper Group. Underwriting commission is payable by the Company at the rate of 2.5% of the IPO price of RM1.60 per Share for the Shares which are being underwritten.

Brokerage is payable in respect of the IPO Shares by the Company at the rate of 1% of the IPO price of RM1.60 per Share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

## 2. DETAILS OF THE IPO (Cont'd)

### 2.8 Details of the Underwriting Agreement

The Managing Underwriter and the Underwriters (collectively referred to as the "Underwriters" and individually as the "Underwriter") have agreed to underwrite up to 5,100,000 IPO Shares. The underwriting commission is payable by Ornapaper at the rate of 2.5% of the IPO price of RM1.60 per Share for the ordinary shares which are being underwritten.

**The following are extract of some of the salient Clauses contained in the Underwriting Agreement dated 4 December 2002, including clauses which may allow the underwriter to withdraw from the underwriting obligations under the Agreement after the opening of the offer:-**

The terms, clauses and references set out in the remainder of this Section 2.8 are in respect to those set in the Underwriting Agreement.

#### 2. AGREEMENT TO UNDERWRITE

2.1 *In consideration of the payment of the Underwriting Commission and the Management Fees to the Underwriters by the Company referred to in Clause 6.1 hereof and upon relying on the Representations, Warranties and Undertakings by the Company set out in Clause 3 hereof, the Underwriters hereby agree to underwrite the Underwritten Shares upon the terms and conditions hereinafter contained.*

#### 3. REPRESENTATIONS, WARRANTIES AND/OR UNDERTAKINGS

3.1 *As a condition of the agreement by the Underwriters to underwrite the Underwritten Shares and in consideration thereof, the Company hereby represents, warrants and undertakes to the Underwriters that:-*

(a) *the Directors have made all reasonable enquiries to ensure all facts material for the Prospectus have been disclosed, and have verified the completeness and accuracy of all such information and to the best of their knowledge and belief, no material fact has been omitted therefrom.*

(b) *the Prospectus:-*

(i) *will comply in all material respects with the Companies Act, the SC Act and/or any other applicable law and any rules, regulations and guidelines thereunder and shall be in form and substance satisfactory and acceptable to the SC, the KLSE and all other relevant authorities;*

(ii) *will contain all information which is material in the context of the IPO, and such information as contained therein will be true, complete, and accurate in all material respects;*

(iii) *will not omit to state or disclose any material fact or information required or necessary to be stated therein with regard to the IPO and all statements of fact and information so made and/or disclosed, in the light of the circumstances under which they are made or disclosed, are true and accurate and not misleading in any respect;*

(iv) *shall be duly issued by 31<sup>st</sup> December 2002 or such other dates as may be mutually agreed in writing between the parties hereto;*

(c) *the IPO and compliance by the Company and the Offerors with the terms of this Agreement:-*

(i) *do not and will not conflict with, or result in a breach of any of the terms or provisions of the Memorandum and Articles of Association of the Company or any of its Subsidiaries or any existing law, regulation or listing*

**2. DETAILS OF THE IPO (Cont'd)**

- requirements applicable to or affecting the Company or any of its Subsidiaries or the IPO; and*
- (ii) *do not and will not infringe the terms of or constitute a default under, any judgment, order, licence, permit, approval, consent, trust deed, agreement or other instrument or obligation to which the Company or any of its Subsidiaries is a party or by which the Group or any part of the undertakings, assets, properties or revenues of the Company or any of its Subsidiaries is bound or affected;*
- (d) *Save as disclosed in the Prospectus and the documents (if any) attached thereto and as has been disclosed in writing to the Underwriters prior to the date hereof:-*
- (i) *there is no litigation, arbitration, administrative or winding-up proceedings (including investigations or inquiries by the KLSE and the SC), criminal charge or investigation current or pending, or to the knowledge of the Company (after due and careful enquiry), threatened against the Company or any of its Subsidiaries the effect of which materially and adversely affect the financial conditions of the Company or the Group, and after making due and careful enquiries, the Company is not aware of any facts or circumstances likely to give rise thereto; and*
- (ii) *neither the Company nor any of its Subsidiaries is in default or in breach of any agreement to which it is bound or of the terms of any licence, permit, approval, directive, legislation or regulation of any relevant authority (including the KLSE and the SC applicable to or affecting it, the effect of which would materially and adversely affect the financial condition of the Company or the Group as a whole;*
- (e) *no circumstances or situations have arisen and/or are existing, which will or are likely to materially and adversely affect the financial condition or business of the Company or the Group or the success of the IPO;*
- (f) *each of the Company and its Subsidiaries will carry on and operate its business and affairs with due diligence and efficiency and in accordance with sound financial and commercial standards and practices;*
- (g) *save as disclosed in the Prospectus and the documents (if any) attached thereto and as has been disclosed in writing to the Underwriters prior to the date hereof, neither the Company nor any other company in the Group has entered into any contract and/or commitment of an unusual or onerous nature, which in the context of the IPO, might be material for disclosure;*
- (h) *all necessary consents, waivers, approvals, authorisations or other orders of all regulatory authorities requires for or in connection with the execution of this Agreement and the issue of the IPO Shares and any other matters contemplated hereby:-*
- (i) *have been or will be unconditionally obtained by the due date therefor; or*
- (ii) *if granted subject to conditions, such conditions will be fulfilled to the satisfaction of the Underwriters by the due date therefor;*
- (iii) *and are or will remain in full force and effect;*
- (i) *all information furnished or supplied or to be furnished or supplied to the Underwriters for the purpose of or in connection with the IPO is true, complete and accurate in all respects and nothing has been furnished or supplied or omitted from such information which would or may make any of the information untrue, incomplete, inaccurate or misleading, or which would or may reasonably be*



**2. DETAILS OF THE IPO (Cont'd)**

*expected to affect the willingness of the Underwriters to underwrite the Underwritten Shares;*

- (j) every statement of forecast, opinion, intention and expectation (including the profit forecast) made in the Prospectus and the documents (if any) attached thereto are truly, fairly, reasonably and honestly held by the Directors of the Company and have been or will be made after due and careful enquiries and consideration and represent or will represent reasonable expectations based on facts known to the Company as at the date of such disclosure and to the extent it is based on assumptions are reasonable;*
- (k) the IPO or as the case may be, the execution and delivery by the Company, of the Prospectus and this Agreement and the performance of the obligations to be assumed thereunder and hereunder by the Company have been duly authorised by all necessary corporate action of the Company, including but not limited to the approval of the shareholders of the Company in a general meeting (if and to the extent it is required) and upon due execution of this Agreement, the obligations assumed hereunder will constitute the legally valid, binding and enforceable obligations of the Company with their terms;*
- (l) each of the Company and each of its Subsidiaries is a company duly incorporated under the laws of its place of incorporation and validly existing with full power and authority to conduct its business in the jurisdiction where it carries on business and is not in liquidation and no steps have been taken by any person for or with a view to the appointment of a liquidator, receiver and/or manager or judicial manager of the Company or any of its Subsidiaries or of any of their respective assets and undertaking;*
- (m) the Accounts have been prepared in accordance with the laws and on a basis consistently applied in accordance with accounting principles, standards and practices generally accepted in Malaysia so as to give a true and fair view of the financial results and state of affairs of the Company and the Group as a whole for the financial years ended 31<sup>st</sup> December 1997 to 31<sup>st</sup> December 2001 and for the financial period of eight(8) months ended on 31<sup>st</sup> August 2002 and the Company and the Group have made adequate provisions for appropriate disclosures of all known material liabilities whether actual or contingent of the Company and the Group as a whole as at such dates and have complied in all respects with the requirements of all relevant laws and accounting principles and practices then in force and generally accepted in Malaysia and since the date of the latest audited accounts of the Company and the Group there has been no material adverse change in the financial position of the Company or the Group taken as a whole, save as may be disclosed in the Prospectus and the documents (if any) attached thereto, or prior to the Closing Date, in any public announcement or publicly available document or as has been disclosed to the Underwriters prior to the date of this Agreement;*
- (n) other than indebtedness contested in good faith by the Company or any of its Subsidiaries as disclosed in the Prospectus and the documents (if any) attached thereto and to the best of the knowledge and belief of the Company, no outstanding indebtedness of the Company or any of its Subsidiaries has become or is likely to become payable by reason or default by the Company or any of its Subsidiaries and no event has occurred or is, so far as the Company is aware, impending which with the lapse of time, or the fulfillment of any condition, or the giving of any notice, may result in any such indebtedness becoming so payable;*
- (o) all taxes (whether income tax, property tax or otherwise) of the Group, in particular but not limited to, all taxes which are material in the context of the IPO, for which the Company and/or the Group is liable or which ought to have been paid, have been duly paid or adequately provided for in the Accounts all the returns, notices or information which are required to be made or given by the Company and/or the Group for taxation, have been so made, are up to date, correct and on a proper basis, and are not subject to any dispute with any relevant or appropriate authorities*

**2. DETAILS OF THE IPO (Cont'd)**

*and there are no present circumstances (of which the Company is or ought reasonably to be aware) which are likely to give rise to any such dispute;*

- (p) the records, statutory books and books of accounts of the Company and the Group are duly entered and maintained in accordance with all legal requirements applicable thereto and contain true, full and accurate records of all matters required to be dealt with therein and all such books and records and documents (including documents of title) are in their possession or under their control and all accounts, documents and returns required to be delivered or made to the CCM or other relevant authorities have been duly and correctly delivered or made;*
- (q) all the assets of the Company and the Group which are of an insurable nature have at all material times been and are at the date hereof, adequately insured against fire and other risks normally insured against by companies carrying on similar businesses or owning property of a similar nature. In respect of such insurances, all premiums have been duly paid to date and all the policies are in force and are not voidable on account of any act, omission or non-disclosure on the part of the insured party;*
- (r) there will be no variation between the Prospectus in the form attached hereto and the Prospectus in the form registered by the SC without the prior written consent of the Underwriters.*

3.2 *The Company and the Offeror hereby jointly and severally irrevocably and unconditionally, covenants and undertakes with the Underwriters to do the following:-*

- (a) to pay all and any stamp and other documentary taxes or duties, payable on, or in connection with, the creation, issue and distribution of the IPO Shares and the execution of this Agreement including any interest and penalties resulting from delay or omission on the part of the Company;*
- (b) to apply for and obtain the approval-in-principle of the KLSE for admission of the Company to the Official List of the Main Board of the KLSE and for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of the KLSE before the Closing Date and to comply with all requirements and provisions of the Companies Act, the SC Act, the Listing Requirements of the KLSE and all other applicable laws, rules and regulations and the requirements of all other relevant authorities;*
- (c) to comply with all the conditions if any, imposed by the SC and KLSE and any other relevant authority for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of the KLSE;*
- (d) to promptly and without any delay whatsoever notify the Underwriters who shall thereafter inform the Underwriters of any breach of any of the representations, warranties or agreements or of any facts, information, situations or circumstances which the Company in its reasonable opinion believes may materially and adversely affect the business of the Company and/or the Group as a whole, or the success of the IPO and without prejudice to the generality of the foregoing, to take such steps as may be reasonably requested by the Underwriters to remedy and/or publicise the same, at any time prior to the Closing Date;*
- (e) to give to the Underwriters any or all information which the Underwriters may require in respect of the accounts or affairs of the Company or the Group or in connection with the IPO or the other proposals contained in the Prospectus and the documents (if any) attached thereto;*
- (f) to fix the Closing Date together with the Underwriters;*
- (g) to do all other things and sign or execute such other documents as may reasonably be required by the Underwriters;*

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**2. DETAILS OF THE IPO (Cont'd)**


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- 3.3. *The commitment of the Underwriters to underwrite the Underwritten Shares is being made on the basis of the Representations, Warranties and Undertakings of the Company in this Clause 3 and with the intention that such Representations, Warranties and Undertakings shall remain true and accurate in all respects up to and including the Closing Date, and in consideration of such commitment to underwrite, the Company and the Offerors hereby jointly and severally irrevocably and unconditionally undertakes with the Underwriters that they shall:-*
- (a) *hold and keep the Underwriters fully and effectively indemnified and shall save them harmless against any and all damages, losses, liabilities, costs, claims, charges, proceedings, expenses, actions or demands (including but not limited to all costs, charges and expenses and legal fees, paid or incurred in disputing or defending any such claim or action) which the Underwrite may incur or suffer or which may be brought against the Underwriters as a result of any misrepresentation by the Company or any breach on its part of such representations, warranties or undertakings or any failure by the Company to perform its obligations under this Agreement, in particular but not limited to the Company's failure to deposit the Underwritten Shares allotted to the Underwriters or its nominees pursuant to Clause 7 into the securities accounts of the Underwriters (unless the Underwriters shall have been advised in writing of a change or termination of any of such Representations, Warranties and Undertakings prior to the Closing Date, pursuant to Clause 3.3(b)below and the Underwriters shall have elected not to terminate this Agreement notwithstanding such advice) or any failure by the Company to perform its obligations herein which entitled the Underwriters to terminate this Agreement pursuant to the provisions of Clause 9 ;*
  - (b) *forthwith notify the Underwriters of any misrepresentations or of anything which has or may have rendered or will or may render untrue or incorrect any of its representations, warranties or undertakings at any time prior to the Closing Date, which shall come to its notice or of which it becomes aware or which shall occur at any time prior to the Closing Date, but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder;*
  - (c) *not publish any amendment or supplement to the Prospectus which the Underwriters have not previously been notified in writing of or to which the Underwriters or their legal advisers shall reasonably object but the giving or any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder;*
  - (d) *to notify in writing and discuss with the Underwriters any announcement proposed to be made to the public would conflict in any material respect with any statement in the Prospectus but the giving of any such notice and any such discussion shall not affect or prejudice any of the rights of the Underwriters hereunder;*
  - (e) *to the extent permitted by law, not make public any information which will or is likely to affect the market price of the IPO Shares without prior written notice to and the prior written consent of the Underwriters unless required to do so by law.*
- 3.4 *If any action, proceeding, claim or demand shall be brought or asserted against the Underwriters in respect of which indemnify is sought from the Company, then the Underwriters shall notify the Company in writing thereof, and the Company shall to the extent required by the Underwriters and permitted by law assume the defence thereof on behalf of and/or in the name of the Underwriters, including the employment of legal advisers selected by the Underwriters and the Company shall bear all fees and expenses in relation thereto or arising therefrom. The Underwriters shall have the right to select separate legal advisers to assume such legal defence and otherwise to participate in the defence of such action, proceedings, claim or demand on behalf of the other Underwriters and the Company shall bear all fees and expenses of such separate legal advisers in relation thereto and arising therefrom.*
- 3.5 *At any time prior to the Closing Date, the Company and the Offerors shall at the request of the Underwriters furnish or deliver to the Underwriters all information and documents which the Underwriters may reasonably request for, for the purpose of verifying the truth,*

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*completeness or accuracy of the representations, warranties and undertakings contained herein.*

- 3.6. *The Representations, Warranties and Undertakings set out in this Agreement shall survive the execution of this Agreement and shall be deemed to be repeated on each day up to the date of delivery of the notice of allotment in respect of the Underwritten Shares subscribed for by the Underwriters as if made on each such day with reference to the facts and circumstances existing on each such day and the rights and remedies conferred upon the Underwriters by the aforesaid representations, warranties, agreements and indemnities shall continue in full force and effect notwithstanding completion of the subscription and issue of the IPO Shares or any investigation by or on behalf of the Underwriters.*

**4. CONDITIONS PRECEDENT**

- 4.1 *The several obligations of the Underwriters under this Agreement shall further be conditional upon:-*

- (a) *the KLSE having agreed in principle on or prior to the Closing Date to the listing and quotation of all the entire enlarged issued and paid up share capital of the Company on terms satisfactory to the Underwriters;*
- (b) *there not having been, on or prior to the Closing Date, any adverse change in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which is material in the context of the IPO nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any Representations, Warranties and Undertakings as though they had been given or made on such date;*
- (c) *the acceptance for registration by SC and the lodgement of the Prospectus with the CCM on or before its release under the IPO;*
- (d) *there having been as at the date of the registration of the Prospectus, neither any adverse change in the condition (financial or otherwise) of the Company and its Subsidiaries taken as a whole, which is material in the context will affect the IPO (not only in regards to the listing of the IPO) from that existing at the date of this Agreement, nor the occurrence of any event which makes any of the Representations, Warranties and Undertakings in which the opinion (which opinion is final and binding) of the Underwriters to be untrue and incorrect in any material respect on the date of the registration of the Prospectus as though they have been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the Representations, Warranties and/or Undertakings.*
- (e) *the delivery to the Managing Underwriter on or prior to the date of the registration of the Prospectus of:-*
- (i) *a certified true copy by a duly authorised officer of the Company of resolutions of the Company's directors and shareholders in the general meeting approving this Agreement, the Prospectus and the IPO authorising the execution of this Agreement and the issuance of the Prospectus;*
- (ii) *a certificate in the form or substantially in the form contained in the Second Schedule dated the date of the Prospectus signed by the duly authorised officers of the Company stating that to the best of their knowledge and belief, having made all reasonable enquiries, there has been no material adverse change, development or occurrence with respect to matters referred to in Clause 3.1; the Representations, Warranties and Undertakings; and;*
- (iii) *such reports and confirmations dated the same day as the date of the Prospectus from the board of directors of the Company as the Underwriters may reasonably require to ascertain that there is no material change*

**2. DETAILS OF THE IPO (Cont'd)**

*subsequent to the date of this Agreement that will adversely affect the performance or financial position of the Group.*

- (f) *the Underwriters having been satisfied that adequate arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 13 ; and*
  - (g) *the IPO not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;*
  - (h) *the satisfaction of the Underwriters that the IPO and the Company respectively have complied with the SC Act, Listing Requirements of the KLSE, Companies Act, MCD Rules and other relevant laws, rules, regulations or order pertaining to the listing of the Company on the Main Board of the KLSE.*
- 4.2 *If any of the conditions set out in Clause 4.1 hereof is not satisfied by 31<sup>st</sup> December 2002 or such other extension of time as may be mutually agreed in writing, the Underwriters shall thereupon be entitled to terminate this Agreement and in that event except for the liability of the Company for the payment of costs and expenses as provided for in Clause 13 hereof incurred prior to or in connection with such termination, there shall be no further claims by the Underwriters against the Company, and the parties hereto shall be released and discharged from their respective obligations hereunder provided that the Underwriters may at its discretion waive the compliance to any of the provisions of Clause 4.1 hereof.*

**9 TERMINATION**

9.1 *Notwithstanding anything herein contained, the Underwriters may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:-*

- (a) *there is any breach by the Company of any of the Representations, Warranties and Undertakings which is not capable of remedy or if capable of remedy, is not remedied within such number of days , as stipulated in the notice given to the Company; or*
- (b) *there is failure on the part of the Company to perform any of its obligations herein contained; or*
- (c) *there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO Shares, or the distribution or sale of the IPO Shares; or*
- (d) *there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or*
- (e) *there shall have occurred, or happened any of the following circumstances:-*
  - (i) *any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions in market condition (including but not limited to conditions on the stock market in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or exchange control regulation or legislation or currency exchange rates, occurrence as a result of an act or acts of God, or in the event of national disorder, outbreak of war or the declaration of a state of national emergency as would in its reasonable opinion prejudice materially the success of the sale or the issuance of the IPO Shares and their distribution or sale (whether in the secondary market or in respect of dealings in the secondary market) or the occurrence of any combination of any of the foregoing; or*

**2. DETAILS OF THE IPO (Cont'd)**

- (ii) *any change in law, regulation, directive, policy or ruling in any jurisdiction of any event or series of events beyond the reasonable control of the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);*

*which would have or can reasonably be expected to have, a material adverse effect on, and/or material prejudice the business or the operations of the Company or the Group as a whole, the success of the IPO Shares, or the distribution or sale of the IPO Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.*

- 9.2 *Upon any such notice(s) being given pursuant to Clause 9.1 in the manner as provided in Clause 14 the Underwriters shall be released and discharged from their obligations hereunder whereupon this Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of this Agreement, save and except that the Company shall remain liable in respect of its obligations and liabilities under Clause 3 and under Clause 13 of the payment of costs and expenses already incurred prior to or in connection with such termination and for any antecedent breach."*

**2.9 Approvals from Authorities**

The Acquisitions, Public Issue, Offer for Sale and the Listing were approved by the following authorities as follows:-

<b>Authorities</b>	<b>Date</b>
SC	<i>27 August 2002 and 7 October 2002</i>
MITI	<i>30 July 2002</i>
FIC	<i>20 June 2002</i>

**2. DETAILS OF THE IPO (Cont'd)**

The details of the conditions of the authorities' approval and status of compliance amongst others are set out below:-

<b>Conditions imposed by the SC</b>	<b>Status of Compliance</b>
<p>1. The Promoters and Substantial Shareholders of Ornapaper are not permitted to involve in new businesses which may result in conflicts of interest with the business of Ornapaper Group. The Promoters and Directors of Ornapaper are required to disclose in the Prospectus their interests or involvement in any similar business or any business which is in direct competition with Ornapaper in Malaysia or any other location;</p>	<p>The Promoters and Substantial Shareholders of Ornapaper (save for Lembaga Tabung Haji which is a collective investment fund) have provided their letters of undertaking dated 29 November 2002, whereby they undertake that they will not be involved in any new business which may result in conflict of interest with the core activities of Ornapaper.</p>
<p>2. Ornapaper Group will not be permitted to involve in any other businesses other than its current core business for a period of three (3) years upon its listing on the Main Board of the KLSE.</p>	<p>In relation to disclosures for the Directors involvement in any similar business please refer to Section 10.3 of this Prospectus.</p>
<p>3. Any transactions between the Ornapaper Group and parties related to the Promoters, Directors and Substantial Shareholders of Ornapaper prior to the listing must be fully disclosed in the Prospectus of Ornapaper;</p>	<p>Will be complied. Ornapaper has provided an undertaking dated 30 November 2002 that Ornapaper Group will ensure that it will not be involved in any other business other than its core activities for a period of three (3) years after its listing on the Main Board of the KLSE.</p>
<p>4. Any future transactions between Ornapaper Group and parties related to the Promoters, Directors and Substantial Shareholders of Ornapaper must be based on commercial terms and not at the detriment of Ornapaper. In this connection, the Audit Committee of Ornapaper must monitor such transactions and the Directors of Ornapaper are required to report such transactions in its Annual Reports, if any;</p>	<p>Complied. Details are set out in Section 6.2 of this Prospectus.</p>
<p>5. Full disclosure on the followings are to be made in the Prospectus:-            (a) The total trade debtors, ageing analysis of the debts together with those debts, which exceeded the Company's credit term; and            (b) The comments of Ornapaper's Directors on the recoverability of those debts, which exceed the Company's credit terms;</p>	<p>Will be complied. The Company will ensure that the future transactions, if any, between Ornapaper and companies related to the Promoters, Directors and Substantial Shareholders of Ornapaper in the future, are based on normal commercial terms and not on conditions that are disadvantageous to Ornapaper. In addition, the Audit Committee will monitor and report such transactions, if any, in the Annual Reports of the Company.</p>
<p>6. Provisions are to be made for debts, which:-            (a) The amounts owing are being disputed by the debtors;            (b) Legal actions against the debtor have been taken/commenced; and            (c) The debts have been outstanding for more than six (6) months;</p>	<p>Details are set out in Section 4.4 (xii) of this Prospectus.</p>
	<p>Complied.</p>

## 2. DETAILS OF THE IPO (Cont'd)

Conditions imposed by the SC	Status of Compliance
7. Directors of Ornapaper must make a written declaration to the SC in relation to the recoverability of the debts, which exceeded the Company's credit term and the provision of doubtful and bad debts adjusted to the estimated profits and projections;	Complied.
8. AmMerchant Bank/Ornapaper must disclose in the Prospectus the structure of the Corrugated Board industry, risk in the Corrugated Board industry, risk management plan and the actions taken or will be taken by Ornapaper to mitigate/face the industry related risks/weaknesses;	Complied. Disclosed under Section 3 and 4 of this Prospectus.
9. AmMerchant Bank is to verify that the allocation of Shares to Directors and employees of Ornapaper is made in compliance with the provisions in the SC Policies and Guidelines on Issue/Offer of Securities;	Will be complied.
10. Ornapaper is required to comply with the requirements relating to the listing guidelines as stated in the SC Policies and Guidelines on Issue/Offer of Securities especially as stated in Chapters 7, 10 and 25;	Complied.
11. The conditions to be complied for the utilisation of proceeds are as follows:-	
(i) The approval from the shareholders of Ornapaper must be obtained for the proposed original utilisation of proceeds if the said changes involve utilisation of proceeds other than for the core business of Ornapaper;	To be complied
(ii) The approval from the shareholders of Ornapaper must be obtained for the proposed original utilisation and for any changes in the utilisation of the proceeds of 25% or more from the original utilisation. If the subsequent change is less than 25% from the proposed original utilisation, appropriate disclosure must be made to the shareholders of Ornapaper;	To be complied
(iii) Any extension of time for the proposed utilisation of proceed as stipulated by Ornapaper must be approved by the directors of Ornapaper via a final resolution and must be fully disclosed to the KLSE; and	To be complied
(iv) Appropriate disclosures on the status of the proceeds from the rights issue and public issue are to be made in the quarterly and annual reports of Ornapaper until the proceeds have been fully utilised;	To be complied
12. In line with the requirements of the National Development Policy for Ornapaper to have at least 30% of Bumiputera equity interest, Ornapaper is advised to ensure that its Board of Directors composition also reflects the percentage of Bumiputera interests; and	Noted and to be complied.
13. AmMerchant Bank and Ornapaper are required to provide the SC with a declaration in writing as to the compliance of all terms and conditions imposed for the approval of the Listing Scheme upon completion of the listing of Ornapaper.	To be complied.



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**2. DETAILS OF THE IPO (Cont'd)**


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<b>Conditions imposed by the FIC</b>	<b>Status of Compliance</b>
1. At least 30% of the equity interest in Ornapaper shall be held directly by Bumiputera upon listing of Ornapaper.	Will be complied
<b>Conditions imposed by the MITI</b>	<b>Status of Compliance</b>
1. Approvals from the SC is obtained;	Met. Approvals from the SC has been obtained on 27 August 2002 and on 7 October 2002.
2. Approvals from the FIC is obtained;	Met. Approval from the FIC has been obtained on 20 June 2002.
3. MITI has agreed to recognise the 23.01% equity interest held by the Lembaga Tabung Haji as Bumiputera shareholdings. The shareholdings of the Lembaga Tabung Haji is subject to the following conditions:- (a) 30% of the equity interest held is allowed to be sold within 12 months upon the listing of Ornapaper; and (b) the balance 70% can be sold in stages with the prior approval of MITI.	Will be complied.
4. Special Shares comprising 4,340,000 Shares, representing 7% of the issued and paid-up share capital of Ornapaper to be offered to Bumiputera investors, whereby its allocation will be determined separately by MITI after the approval of the SC has been obtained.	Will be complied.