

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 31 MARCH 2004

	3 Months Ended		3 Months Ended	
	31-Mar-2004 (RM'000)	31-Mar-2003 (RM'000)	31-Mar-2004 (RM'000)	31-Mar-2003 (RM'000)
Revenue	31,281	27,050	31,281	27,050
Cost of Sales	(26,312)	(20,411)	(26,312)	(20,411)
Gross Profit	4,969	6,639	4,969	6,639
Other Operating Income	11	15	11	15
Operating Expenses	(3,475)	(3,316)	(3,475)	(3,316)
Profit from Operations	1,505	3,338	1,505	3,338
Interest Income	154	71	154	71
Finance Cost	(539)	(452)	(539)	(452)
Profit before Taxation	1,120	2,957	1,120	2,957
Taxation	(94)	(250)	(94)	(250)
Profit after Taxation	1,026	2,707	1,026	2,707
Minority Interest	-	-	-	-
Net Profit for the period	1,026	2,707	1,026	2,707
Earnings per Share (Based on 60,557,778 shares)				
- Basic (Sen)		4.47		4.47
(Based on 62,000,000 shares)				
- Basic (Sen)	1.65		1.65	

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2003 and the accompanying explanatory notes attached to the interim financial statements

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2004

	As At 31-Mar-2004 RM'000	As At 31-Dec-2003 RM'000
<u>NON-CURRENT ASSETS</u>		
Property, Plant and Equipment	71,264	71,104
Other Investment	269	269
	<u>71,533</u>	<u>71,373</u>
<u>CURRENT ASSETS</u>		
Inventories	17,129	14,755
Trade Receivables	42,677	44,067
Other Receivables	9,417	4,300
Cash and Bank Balances	1,580	6,457
	<u>70,803</u>	<u>69,579</u>
<u>CURRENT LIABILITIES</u>		
Short Term Borrowings	41,193	39,073
Trade Payables	8,141	9,249
Other Payables	1,732	2,224
	<u>51,066</u>	<u>50,546</u>
NET CURRENT ASSETS	19,737	19,033
	<u>91,270</u>	<u>90,406</u>
<u>FINANCED BY:</u>		
Share Capital (Explanatory Note No. 6)	62,000	62,000
Reserves	15,070	14,043
Shareholders' Equity	<u>77,070</u>	<u>76,043</u>
Reserve on Consolidation	4,754	4,754
	<u>81,824</u>	<u>80,797</u>
Long Term Borrowings	2,193	2,356
Deferred Taxation	7,253	7,253
Non - Current Liabilities	<u>9,446</u>	<u>9,609</u>
	<u>91,270</u>	<u>90,406</u>
Net Tangible Assets Per Share (RM)	1.32	1.30

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2003 and the accompanying explanatory notes attached to the interim financial statements

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED 31 MARCH 2004

	3 Months Ended	
	31-Mar-2004	31-Mar-2003
	RM'000	RM'000
Net Cash Flow From Operating Activities	(5,695)	(1,642)
Net Cash Flows From Investing Activities	(1,139)	10,836
Net Cash Flows From Financing Activities	37,425	(8,852)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>30,591</u>	<u>342</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(31,905)	876
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>(1,314)</u>	<u>1,218</u>
Cash and cash equivalents comprise:		
Cash and bank balances	1,580	2,906
Bank Overdrafts	(2,894)	(1,688)
	<u>(1,314)</u>	<u>1,218</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2003 and the accompanying explanatory notes attached to the interim financial statements

ORNAPAPER BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 MARCH 2004

3 Months Quarter Ended 31-Mar-04	Share Capital	Non Distributable Share Premium	Distributable Retained Profit	Total
At 01 Jan 2004	62,000	5,193	8,850	76,043
Net Profit For The Period	-	-	1,027	1,027
At 01 Mar 2004	62,000	5,193	9,877	77,070
As at 31 Dec 2003				
At 01 Jan 2003	54,000	1,309	785	56,094
Issue of Share Capital	8,000	4,800	-	12,800
Shares Issue Expense	-	(916)	-	(916)
Net Profit For The Period	-	-	8,065	8,065
At 31 Dec 2003	62,000	5,193	8,850	76,043

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2003 and the accompanying explanatory notes attached to the interim financial statements

EXPLANATORY NOTES

1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MASB 26: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2003. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2003.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the financial statements for the year ended 31 December 2003.

2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2003 was not qualified.

3 Seasonal or Cyclical Factors of Operations

The business operation for the period were not affected by seasonal or cyclical factors.

4 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows.

There are no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

5 Changes in Estimates

There is no change in the estimates of amounts reported in the current quarter and the current financial period to date.

6 Issuance, cancellation, repurchase, resale and repayment of debts and equity securities

There were no issuances, cancellation, repurchases, resale and repayment of debts and equity securities for the current quarter and the current financial period to date.

7 Dividends paid

No dividends was paid during the current quarter and the current financial period to date (refer note 26).

8 Segmental reporting

There was no segmental analysis presented for the period as the Group operates principally within one industry and within the country.

9 Valuation of property, plant and equipment

There were no revaluation for property, plant and equipment of the Group.

10 Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the interim period reported that have not been reflected in the financial statements.

11 Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter and the current financial period to date.

12 Changes in the contingent liabilities or contingent assets

There was no material changes in contingent liabilities or contingent assets for the current financial period.

ORNAPAPER BERHAD (573695-W)
UNAUDITED FINANCIAL RESULTS
FOR THE QUARTER ENDED 31 MARCH 2004

13 Capital Commitments

The following amount of capital expenditure not provided for in the current quarter and the current financial period to date.:

RM'000

Contracted For:

Proposed Investment in Vietnam	13,400	Refer Note 22a
Proposed Acquisition of Companies	19,200	Refer Note 22b

32,600

14 Related Company Transactions

The related party transactions of the group during the financial quarter reported is as follow:

	Current Quarter RM'000	Year to date RM'000
<u>Perfect Food Manufacturing (M) Sdn. Bhd.</u>		
Sales of Corrugated Carton	372	372

The above Company is one in which Sai Chin Hock, a Director has interest

The directors are of the opinion that the transactions above has been entered into in the normal course of business based on negotiated and mutually agreed terms.

15 Review of Performance

The Group registered a turnover of RM31.3 million which is approximately 15.6% higher than RM27.1 million of the preceding year corresponding period.

However, profit before tax decreased by 62.1% to RM1.0 million as compared to RM2.9 million of the preceding year corresponding period.

The decrease in profit before tax was mainly due to higher raw material cost during the reporting quarter.

16 Comparison with immediate preceding quarter.

For the current quarter under review, profit before tax of the Group decreased to RM1.0 million from RM1.7 million compared to the previous quarter.

This was mainly due to higher raw materials costs during the reporting quarter.

17 Current Year Prospects

The Board expects the Group to continue to operate under an excess capacity business environment with intense price competition for the remaining quarter.

18 Variance from Forecast Profit and Profit Guarantee

Not Applicable

19 Taxation

	Current Quarter RM'000	Year to date RM'000
Income Tax		
- Current Quarter	94	94
- Under/(Over) provision in prior year	-	-
Deferred Taxation	-	-
	94	94

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UNAUDITED FINANCIAL RESULTS
FOR THE QUARTER ENDED 31 MARCH 2004

Effective Tax Rate

Corporate Rate	28%	28%
Effective Tax Rate As Per PL	8%	8%
Variance	<u>20%</u>	<u>20%</u>

The effective tax rate for the quarter is lower than the statutory tax rate applicable to the Company's profits mainly due to the utilisation of Reinvestment Allowances

20 Profit on sale of unquoted investments and properties

There were no disposal of investments/properties during the financial period.

21 Purchase or disposal of Quoted Securities

There were no purchases and disposals of quoted securities during the financial period.

22 Status of Corporate Proposals

There are no other corporate proposals announced but not completed at the latest practicable date which shall not be earlier than 7 days from the date of this quarterly report except for the following:

a) PROPOSED INVESTMENT IN VIETNAM

On 24 June 2003, Ornapaper Berhad ("ORNA") announced its intention to set up a corrugated cartons and boards manufacturing plant in Vietnam at an estimated cost of USD8 Million (equivalent of RM30.4 Million). On 1 August 2003, ORNA announced the details of the proposed investment in Vietnam.

Subsequently on 13 February 2004, ORNA announced a revision to the proposed investment whereby 55% equity interest in Ornapaper Vietnam Co. Ltd. will be held directly by ORNA instead of via Ornapaper Industry (M) Sdn. Bhd. as initially proposed.

Barring any unforeseen circumstances, the above is expected to be completed by third quarter of 2004

b) PROPOSED ACQUISITION OF COMPANIES

On 10 March 2004, ORNA announced the Proposed Acquisitions by ORNA of:

- (i) Entire equity interest in Ornapaper Industry (Perak) Sdn. Bhd. comprising 5,000,002 ordinary shares of RM1-00 each at a consideration of RM15,598,952 to be satisfied by the issue of 10,757,898 new ordinary shares of RM1-00 each by Orna at an issue price of RM1-45 per share;
- (ii) 80% equity interest in Ornapaper Industry (Johor) Sdn. Bhd. comprising 903,200 ordinary shares of RM1-00 each at a consideration of RM1,122,019 to be satisfied by the issue of 773,806 new ordinary shares of RM1-00 each by Orna at an issue price of RM1-45 per share; and
- (iii) Entire equity interest in Tripack Packaging (M) Sdn. Bhd. comprising 2,185,764 ordinary shares of RM1-00 each at a consideration of RM2,492,400 to be satisfied by the issue of 1,718,897 new ordinary shares of RM1-00 each by Orna at an issue price of RM1-45 per share.

Subsequently on 26 March 2004, ORNA announced that the share sales agreement were executed in respect of the Proposed Acquisitions

The Proposed Acquisition is subject to the following approvals being obtained:

- 1.) Securities Commission
- 2.) Shareholders of ORNA; and
- 3.) any other relevant authority, if required

Barring any unforeseen circumstances, the above is expected to be completed by third quarter of 2004

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UNAUDITED FINANCIAL RESULTS
FOR THE QUARTER ENDED 31 MARCH 2004

23 Company borrowings and Debt Securities

The borrowings of the Company for the current financial quarter are as follows:-

	RM'000
<u>Current</u>	
Bank Overdrafts - secured	2,894
Trade Bills - secured	37,681
Hire Purchase Payables - secured	618
	<u>41,193</u>
<u>Non Current</u>	
Hire Purchase Payables - secured	2,193
	<u><u>43,386</u></u>

The borrowings are denominated in Ringgit Malaysia.

24 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at the date of this report.

25 Changes in Material Litigation

There was no material litigation as at the date of this report.

26 Dividends

The Board recommends a final tax exempt dividend of 5% on 62,000,000 ordinary shares, amounting to RM3,100,000 for the financial year ended 31 December 2003 for shareholders' approval at the forthcoming Second Annual General Meeting.

27 Earnings per share

The computation of earnings per share is as follows :-

	Current Quarter 30-Mar-04	Financial year to date 30-Mar-04
Issued ordinary sharers at beginning of period	62,000,000	62,000,000
<u>Effect of ordinary shares issued during the period</u>		
Public Issue		
Issued ordinary shares at end of period	<u>62,000,000</u>	<u>62,000,000</u>
Weighted average number of ordinary shares	62,000,000	62,000,000
Net Profit	1,026,000	1,026,000
Basic earnings per share (sen)	1.65	1.65

28 Authorised For Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 May 2004

By Order of the Board
Ornapaper Berhad

Sean Ne Teo
Company Secretary

Melaka
28-May-04