

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2005

	3 Months Ended		3 Months Ended	
	31-Mar-2005 (RM'000)	31-Mar-2004 (RM'000)	31-Mar-2005 (RM'000)	31-Mar-2004 (RM'000)
Revenue	40,246	31,281	40,246	31,281
Cost of Sales	(34,497)	(26,312)	(34,497)	(26,312)
Gross Profit	5,749	4,969	5,749	4,969
Other Operating Income	44	11	44	11
Operating Expenses	(5,901)	(3,475)	(5,901)	(3,475)
(Loss) / Profit from Operations	(108)	1,505	(108)	1,505
Interest Income	46	154	46	154
Finance Cost	(1,169)	(539)	(1,169)	(539)
(Loss) / Profit before Taxation and Minority Interest	(1,231)	1,120	(1,231)	1,120
Taxation	(210)	(94)	(210)	(94)
(Loss) / Profit after Taxation	(1,441)	1,026	(1,441)	1,026
Minority Interest	617	-	617	-
Net (Loss) / Profit for the period	(824)	1,026	(824)	1,026
(Loss) / Earnings per Share (Note 27)				
- Basic (Sen)	(1.10)	1.65	(1.10)	1.65

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005

	As At 31-Mar-2005 RM'000	As At 31-Dec-2004 RM'000
<u>NON-CURRENT ASSETS</u>		
Property, Plant and Equipment	137,460	133,642
Other Investment	269	269
Deffered Tax Assets	157	157
	<u>137,886</u>	<u>134,068</u>
<u>CURRENT ASSETS</u>		
Inventories	28,649	25,887
Trade Receivables	57,372	54,083
Other Receivables	3,363	5,730
Cash and Bank Balances	5,347	14,582
	<u>94,731</u>	<u>100,282</u>
<u>CURRENT LIABILITIES</u>		
Short Term Borrowings	68,493	66,205
Trade Payables	14,003	13,294
Other Payables	4,250	4,630
	<u>86,746</u>	<u>84,129</u>
NET CURRENT ASSETS	7,985	16,153
	<u>145,871</u>	<u>150,221</u>
<u>FINANCED BY:</u>		
Share Capital	75,251	75,251
Reserves	16,805	17,633
Shareholders' Equity	<u>92,056</u>	<u>92,884</u>
Reserve on Consolidation	3,182	3,182
	95,238	96,066
Minority Interests	13,267	13,885
	<u>108,505</u>	<u>109,951</u>
Long Term Borrowings	27,879	30,783
Deffered Tax Liabilities	9,487	9,487
Non - Current Liabilities	<u>37,366</u>	<u>40,270</u>
	<u>145,871</u>	<u>150,221</u>
Net Tangible Assets Per Share (RM)	1.27	1.28

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2005

	3 Months Ended	
	31-Mar-2005 RM'000	31-Mar-2004 RM'000
Net Cash Generated From / (Used In) Operating Activities	(2,613)	(5,695)
Net Cash Generated From / (Used In) Investing Activities	(6,001)	(1,139)
Net Cash Generated From / (Used In) Financing Activities	(2,604)	37,425
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(11,218)</u>	<u>30,591</u>
EFFECT OF EXCHANGE RATE CHANGES	(4)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	12,362	(31,905)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>1,140</u>	<u>(1,314)</u>
Cash and cash equivalents comprise:		
Cash and bank balances	5,347	1,580
Bank Overdrafts	(4,207)	(2,894)
	<u>1,140</u>	<u>(1,314)</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2005

3 Months Ended 31-Mar-05	Share Capital	Non Distributable Share Premium	Non Distributable Foreign Exchange	Distributable Retained Profit	Total
At 01 Jan 2005	75,251	11,156	4	6,473	92,884
Foreign Exchange Reserve			(4)		(4)
Net Profit For The Period				(824)	(824)
At 31 Mar 2005	75,251	11,156	-	5,649	92,056
3 Months Ended 31-Mar-04					
At 01 Jan 2004	62,000	5,193		8,850	76,043
Net Profit For The Period				1,027	1,027
At 31 Mar 2004	62,000	5,193	-	9,877	77,070

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements

ORNAPAPER BERHAD (573695-W)
UNAUDITED FINANCIAL RESULTS
FOR THE QUARTER ENDED 31 MARCH 2005

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 2004. 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 2004.

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 2004.

2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2004 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 t financial period to date.

7 Dividends paid

No dividends was paid or declared during the current quarter of the financial period.

8 Segmental reporting

By Geographical Location -

	Revenue		Profit / (Loss)
	3 Months Ended RM'000	3 Months Ended RM'000	3 Months Ended RM'000
Malaysia	39,401	39,401	117
Vietnam	845	845	(1,323)
Republic of China			(25)
	40,246	40,246	(1,231)

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 state

ORNAPAPER BERHAD (573695-W)
 UNAUDITED FINANCIAL RESULTS
 FOR THE QUARTER ENDED 31 MARCH 2005

EXPLANATORY NOTES

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 except for the corporate limit of RM75 million given by the Company to financial institutions for credit facilities granted to subsidiaries.

13 Capital Commitments

The following amount of capital expenditure not provided for in these interim financial statements are as follows:

	RM'000
<u>Contracted but not provided for:</u>	
Acquisition of property, plant and equipment	7,353
	7,353
	7,353

14 Related Company Transactions

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

	Current Quarter RM'000	3 Months Period RM'000
i <u>Purchase of Furniture</u>		
Poh Huat Furniture Industries (M) Sdn. Bhd.	96	96
<i>The above company is one in which Tay Kim Huat, a Director and substantial shareholder of a foreign subsidiary has interest</i>		
Total:	96	96
	96	96
ii <u>Sales of Carton Boxes</u>		
Perfect Food Manufacturing (M) Sdn. Bhd.	328	328
<i>The above company is one in which Sai Chin Hock a former director (resigned on 1 September 2004), has interest</i>		
Poh Huat Furniture Industries (M) Sdn. Bhd.	508	508
Poh Huat Woodwork (M) Sdn. Bhd.	12	12
Poh Huat Furniture Industries Vietnam Ltd.	88	88
<i>The above companies is one in which Tay Kim Huat, a Director and substantial shareholder of a foreign subsidiary has interest</i>		
Total:	936	936
	936	936

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

15 Review of Performance

The Group registered a turnover of RM40.2 million which is approximately 29% higher than RM31.3 million registered in the prec corresponding period primarily due to the revenue generated by the new subsidiaries acquired in September 2004.

Despite the increase in turnover, the Group registered a loss before tax and minority interest of RM1.2 million as compared to prof minority interest of RM1.1 million of the preceding year corresponding period.

The losses were mainly attributable to higher raw material cost and operating cost, and losses incurred by a foreign subsidiary due t up cost during the reporting quarter.

ORNAPAPER BERHAD (573695-W)
UNAUDITED FINANCIAL RESULTS
FOR THE QUARTER ENDED 31 MARCH 2005

EXPLANATORY NOTES

16 Comparison with immediate preceding quarter.

For the current quarter under review, the Group incurred a loss before tax and minority interest of RM1.2 million as compared to loss before tax and minority interest of RM0.5 million registered in the previous quarter.

This was mainly attributable to losses incurred by a foreign subsidiary due to high initial start up cost 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.

18 Variance from Forecast Profit and Profit Guarantee

Not Applicable

19 Taxation

	Current Quarter RM'000	3 Months Period RM'000
Income Tax		
- Current Quarter	210	210
- Under/(Over) provision in prior year		
Deferred Taxation		
	210	210
<u>Effective Tax Rate</u>		
Corporate Rate	28%	28%
Variance	-45%	-45%
Effective Tax Rate as per Income Statement	-17%	-17%

The effective tax rate is higher than the statutory tax rate principally because the losses incurred by certain subsidiaries cannot be used to offset the taxable profits earned by other subsidiaries for tax purposes.

20 Profit on sale of unquoted investments and properties

There were no disposals 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.

ORNAPAPER BERHAD (573695-W)
UNAUDITED FINANCIAL RESULTS
FOR THE QUARTER ENDED 31 MARCH 2005

EXPLANATORY NOTES

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 70 days of this quarterly report except for the following:

A) ACQUISITION OF COMPANIES

The acquisition of subsidiaries i.e. Tripack Packaging (M) Sdn. Bhd., Ornapaper Industry (Johor) Sdn. Bhd. and Ornapaper Industry ("OISB(P)") were completed on 13 September 2004

One of the conditions set by the Securities Commission ("SC") for the acquisition of 100% equity interest in OISB(P) was that Orna ("ORNA") or OISB(P) need to obtain an approved building plan for any unapproved structures relating to property owned by OISB(P) within a period of 1 year of SC's approval i.e. from 28 June 2004. The Company has yet to obtain the said approval from the relevant authority as at the end of the reporting period.

23 Company borrowings and Debt Securities

The Company does not have or issue any debt securities or long-term borrowings during the quarter period.

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

<u>Type of Borrowing</u>	<u>Total</u>	<u>Short Term</u>	<u>Long Term</u>
Bank Overdrafts - secured	4,207	4,207	-
Trade Bills - secured	59,201	59,201	-
Hire Purchase Payables - secured	8,872	2,480	6,392
Term Loan - Secured	24,092	2,605	21,487
	<u>96,372</u>	<u>68,493</u>	<u>27,879</u>

The borrowings are denominated in the following currencies:

	Equivalent (RM'000)
Ringgit Malaysia	65,540
United States Dollars	30,832
Total Borrowings	<u>96,372</u>

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 Dividend Payable

The Directors do not recommend any dividend to be paid in respect of the current financial period.

ORNAPAPER BERHAD (573695-W)
UNAUDITED FINANCIAL RESULTS
FOR THE QUARTER ENDED 31 MARCH 2005

EXPLANATORY NOTES

27 Earnings Per Share

The computation of earnings per share is as follows :-

	Current Quarter	Financial year to date
Issued ordinary sharers at beginning of period	75,250,601	75,250,601
Issued ordinary shares at end of period	<u>75,250,601</u>	<u>75,250,601</u>
Weighted average number of ordinary shares	75,250,601	75,250,601
Net (Loss) / Profit	(824,000)	(824,000)
Basic (loss) / earnings per share (sen)	(1.10)	(1.10)
Diluted (loss) / earnings per share (sen)	N/A	N/A

28 Authorised For Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Director 2005

By Order of the Board
Ornapaper Berhad

Sean Ne Teo
Company Secretary

Melaka
24-May-05

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FOR THE QUARTER ENDED 31 MARCH 2005

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Basic (loss) / earnings per share (sen)	(1.10)	(1.10)
Diluted (loss) / earnings per share (sen)	N/A	N/A

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 24th May 2005

By Order of the Board
Ornapaper Berhad

Sean Ne Teo
Company Secretary

Melaka
24-May-05