

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2006

	3 Months Ended		3 Months Ended	
	31-Mar-2006 (RM'000)	31-Mar-2005 (RM'000)	31-Mar-2006 (RM'000)	31-Mar-2005 (RM'000)
Revenue	50,765	40,246	50,765	40,246
Cost of Sales	(45,836)	(34,497)	(45,836)	(34,497)
Gross Profit	4,929	5,749	4,929	5,749
Other Income	115	44	115	44
Administrative and Other Expenses	(6,390)	(5,901)	(6,390)	(5,901)
Interest Income	171	46	171	46
Finance Cost	(1,603)	(1,169)	(1,603)	(1,169)
Loss before Taxation	(2,778)	(1,231)	(2,778)	(1,231)
Taxation	(73)	(210)	(73)	(210)
Loss for the period	(2,851)	(1,441)	(2,851)	(1,441)
Attributable to :				
Equity holder of the parent	(1,787)	(824)	(1,787)	(824)
Minority Interest	(1,064)	(617)	(1,064)	(617)
	(2,851)	(1,441)	(2,851)	(1,441)
Loss per Share (Note 27)				
- Basic (Sen)	(2.37)	(1.10)	(2.37)	(1.10)

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements

ORNAPAPER BERHAD

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

	As At 31-Mar-2006 RM'000	As At 31-Dec-2005 RM'000
<u>NON-CURRENT ASSETS</u>		
Property, Plant and Equipment	143,739	147,277
Intangible assets	1,633	-
Other Investment	272	269
Long term deposits	-	8
Deffered Tax Assets	126	126
	145,770	147,680
<u>CURRENT ASSETS</u>		
Inventories	25,022	24,726
Trade Receivables	73,587	74,554
Other Receivables	5,726	4,537
Cash and Bank Balances	4,949	6,557
	109,284	110,374
<u>CURRENT LIABILITIES</u>		
Short Term Borrowings	77,076	84,429
Trade Payables	26,414	22,407
Other Payables	7,355	7,814
	110,845	114,650
NET CURRENT LIABILITIES	(1,561)	(4,276)
	144,209	143,404
<u>EQUITY AND LIABILITIES</u>		
Equity attributable to equity holders of the parent		
Share capital	75,251	75,251
Share premium	11,156	11,156
Other reserves	(702)	(479)
Retained Earnings	3,836	809
	89,541	86,737
Minority Interests	11,001	12,499
Total Equity	100,542	99,236
Negative goodwill	-	3,181
	100,542	102,417
Long Term Borrowings	33,744	31,064
Deffered Tax Liabilities	9,923	9,923
Non - Current Liabilities	43,667	40,987
	144,209	143,404
Net Assets Per Share (RM)	1.34	1.32

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2006

	3 Months Ended	
	31-Mar-2006 RM'000	31-Mar-2005 RM'000
Net Cash Generated From/ (Used In) Operating Activities	928	(2,613)
Net Cash Generated From/ (Used In) Investing Activities	1,383	(6,001)
Net Cash Generated From/ (Used In) Financing Activities	(9,733)	(2,604)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(7,422)</u>	<u>(11,218)</u>
EFFECT OF EXCHANGE RATE CHANGES	(61)	(4)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,592	12,362
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>(4,891)</u>	<u>1,140</u>
Cash and cash equivalents comprise:		
Cash and bank balances	4,949	5,347
Bank Overdrafts	(9,840)	(4,207)
	<u>(4,891)</u>	<u>1,140</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 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 2006

3 Months Ended 31-Mar-06	Non Distributable		Distributable		Total	Minority Interest	Total
	Share Capital	Share Premium	Exchange Reserve	Retained Earnings			
At 01 Jan 2006	75,251	11,156	(479)	809	86,737	12,499	99,236
Effect of adopting FRS 3	-	-	-	4,814	4,814	-	4,814
	75,251	11,156	(479)	5,623	91,551	12,499	104,050
Foreign Exchange Reserve			(223)		(223)	(434)	(657)
Net Loss For The Period				(1,787)	(1,787)	(1,064)	(2,851)
At 31 Mar 2006	75,251	11,156	(702)	3,836	89,541	11,001	100,542
3 Months Ended							
31-Mar-05							
At 01 Jan 2005	75,251	11,156	4	6,473	92,884	13,884	106,768
Foreign Exchange Reserve			(4)		(4)	-	(4)
Net Loss For The Period				(824)	(824)	(617)	(1,441)
At 31 Mar 2005	75,251	11,156	-	5,649	92,056	13,267	105,323

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements

EXPLANATORY NOTES PURSUANT TO FRS 134

1 Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134: Interim Financial Report and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The quarterly financial report should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 December 2005.

2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of a total 18 new/ revised Financial Reporting Standards and other interpretations (herein thereafter referred as FRSs) effective for the financial statements commencing 1 January 2006.

The principal effects of the changes in accounting policies resulting from the adoption of the new/ revised FRSs are discussed below:

a) FRS 3: Business Combinations

Under FRS 3, the excess of the cost of acquisitions over the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities is recognised as goodwill. Goodwill is carried at cost less accumulated impairment losses and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed.

Prior to 1 January 2006, goodwill was stated at cost less impairment losses and offsetted against negative goodwill and disclosed separately in the balance sheet. Goodwill and negative goodwill are not amortised.

In accordance with the transitional provision of FRS 3, the negative goodwill of RM4,814,000 was derecognised with a corresponding increase in retained earnings. The remaining goodwill of RM1,633,000 is now disclosed in the balance sheet as an intangible asset:

Goodwill on consolidation	Negative Goodwill RM'000	Goodwill RM'000	Net RM'000
As at 1 January 2006	(4,814)	1,633	(3,181)
Effect of FRS 3:			
Adjusted to opening retained earnings	4,814	-	4,814
	-----	-----	-----
Disclosed as intangible asset	-	1,633	1,633
	=====	=====	=====

b) FRS 101: Presentation of Financial Statements.

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the net profit or loss for the period. A similar requirement is also applicable to the statement of the changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.

4 Seasonal or Cyclical Factors of Operations

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

5 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.

6 Changes in Estimates

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

7 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.

8 Dividends paid

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

9 Segmental reporting**By Geographical Location -**

	Revenue		Profit / (Loss) Before Tax	
	3 Months Ended RM'000	3 Months Ended RM'000	3 Months Ended RM'000	3 Months Ended RM'000
Malaysia	43,103	43,103	(442)	(442)
Vietnam	7,499	7,499	(2,344)	(2,344)
Republic of China	163	163	8	8
	50,765	50,765	(2,778)	(2,778)

10 Valuation of property, plant and equipment

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

11 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

12 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.

13 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 guarantee up to a limit of RM75 million given by the Company to financial institutions for credit facilities granted to subsidiaries.

14 Capital Commitments

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

RM'000

Contracted but not provided for:

Acquisition of property, plant and equipment

-

-

15 Related Party 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 Sales of Carton Boxes		
Perfect Food Manufacturing (M) Sdn. Bhd.	364	364
<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.	722	722
Poh Huat Woodwork (M) Sdn. Bhd.	57	57
Poh Huat Furniture Industries Vietnam Ltd.	506	506
<i>The above companies is one in which Tay Kim Huat, a Director and substantial shareholder of a foreign subsidiary has interest</i>		
Total:	1,649	1,649

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.

16 Review of Performance

The Group registered a turnover of RM50.8 million which is approximately 26% higher than RM40.2 million registered in the preceding year corresponding period primarily due to revenue generated by a foreign subsidiary.

Despite the increase in turnover, the Group registered a loss before tax of RM2.78 million as compared to loss before tax of RM1.23 million of the preceding year corresponding period.

The loss was mainly attributable to losses incurred by a foreign subsidiary during the reporting quarter as that subsidiary has yet to operate under optimal operating capacity under which cost efficiencies from economies of scale could have been achieved.

17 Comparison with immediate preceding quarter.

For the current quarter under review, the Group incurred a loss before tax of RM2.78 million as compared to loss before tax of RM2.94 million registered in the previous quarter.

18 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 quarters.

19 Variance from Forecast Profit and Profit Guarantee

Not Applicable

20 Taxation

	3 Months Ended		3 Months Ended	
	31-Mar-2006 (RM'000)	31-Mar-2005 (RM'000)	31-Mar-2006 (RM'000)	31-Mar-2005 (RM'000)
Income Tax				
- Current Quarter	73	210	73	210
- Under/(Over) provision in prior year				
Deferred Taxation	-	-	-	-
	73	210	73	210

Effective Tax Rate

Corporate Rate	28%	28%	28%	28%
Variance	-31%	-45%	-31%	-45%
Effective Tax Rate as per Income Statement	<u>-3%</u>	<u>-17%</u>	<u>-3%</u>	<u>-17%</u>

The effective tax rate is higher due to the losses incurred by foreign subsidiaries cannot be used to set off against the taxable profits earned by other Malaysian subsidiaries for tax purposes.

21 Profit on sale of unquoted investments and properties

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

22 Purchase or disposal of Quoted Securities

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

23 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.

24 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 as at the end of 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	9,840	9,840	-
Trade Bills - secured	59,772	59,772	-
Hire Purchase Payables - secured	12,872	3,636	9,236
Term Loan - Secured	28,336	3,828	24,508
	<u>110,820</u>	<u>77,076</u>	<u>33,744</u>

The borrowings are denominated in the following currencies:

	Equivalent (RM'000)
Ringgit Malaysia	75,347
United States Dollars	35,473
Total Borrowings	<u>110,820</u>

25 Off Balance Sheet Financial Instruments

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

26 Changes in Material Litigation

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

27 Dividend Payable

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

28 Earnings Per Share

The computation of earnings per share is as follows :-

	3 Months Ended		3 Months Ended	
	31-Mar-2006 (RM'000)	31-Mar-2005 (RM'000)	31-Mar-2006 (RM'000)	31-Mar-2005 (RM'000)
Issued ordinary sharers at beginning of period	75,250,601	75,250,601	75,250,601	75,250,601
Issued ordinary shares at end of period	75,250,601	75,250,601	75,250,601	75,250,601
Weighted average number of ordinary shares	75,250,601	75,250,601	75,250,601	75,250,601
Net Loss attributable to ordinary equity holders of the parent (RM)	(1,787,000)	(824,000)	(1,787,000)	(824,000)
Basic (loss) / earnings per share (sen)	(2.37)	(1.10)	(2.37)	(1.10)
Diluted (loss) / earnings per share (sen)	N/A	N/A	N/A	N/A

29 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 26 May 2006.

**By Order of the Board
Ornapaper Berhad**

**Chua Siew Chuan
Sean Ne Teo
Company Secretaries**

Melaka
31-May-06