

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 30 JUNE 2003

	3 Months Ended		6 Months Ended	
	30-Jun-2003 (RM'000)	30-Jun-2002 (RM'000)	30-Jun-2003 (RM'000)	30-Jun-2002 (RM'000)
Revenue	29,630	-	56,680	-
Cost of Sales	(23,401)	-	(43,812)	-
Gross Profit	6,229	-	12,868	-
Other Operating Income	33	-	48	-
Operating Expenses	(2,983)	-	(6,299)	-
Profit from Operations	3,279	-	6,617	-
Interest Income	77	-	148	-
Finance Cost	(493)	-	(945)	-
Profit before Taxation	2,863	-	5,820	-
Taxation	(720)	-	(970)	-
Profit after Taxation	2,143	-	4,850	-
Minority Interest	-	-	-	-
Net Profit for the period	2,143	-	4,850	-
Earnings per Share (Based on 61,292,818 shares)				
- Basic (Sen)	3.45		7.91	

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2002.

The acquisition of of Ornapaper Berhad Group operating subsidiaries Ornapaper Industry (M) Sdn. Bhd. and Ornapaper Industry (Batu Pahat) Sdn. Bhd. were only completed on 01/12/2002. Accordingly the profit Contribution from this subsidiaries only commence from that date.

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT

30 JUNE 2003

	As At 30-Jun-2003 RM'000	As At 31-Dec-2002 RM'000
<u>NON-CURRENT ASSETS</u>		
Property, Plant and Equipment	70,701	66,513
Other Investment	269	269
	<u>70,970</u>	<u>66,782</u>
<u>CURRENT ASSETS</u>		
Inventories	13,169	12,863
Trade Receivables	39,902	33,472
Other Receivables	1,237	1,218
Cash and Bank Balances	5,193	4,764
	<u>59,501</u>	<u>52,317</u>
<u>CURRENT LIABILITIES</u>		
Short Term Borrowings	37,831	38,490
Trade Payables	2,535	5,294
Other Payables	2,976	3,050
	<u>43,342</u>	<u>46,834</u>
NET CURRENT ASSETS	16,159	5,483
	<u>87,129</u>	<u>72,265</u>
<u>FINANCED BY:</u>		
Share Capital (Explanatory Note No. 6)	62,000	54,000
Reserves	10,952	2,218
Shareholders' Equity	<u>72,952</u>	<u>56,218</u>
Long Term Borrowings	2,579	4,947
Deferred Taxation	6,907	6,409
Reserve on Consolidation	4,691	4,691
Non - Current Liabilities	<u>14,177</u>	<u>16,047</u>
	<u>87,129</u>	<u>72,265</u>
Net Tangible Assets Per Share (RM)	1.18	1.04

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2002.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED **30 JUNE 2003**

	6 Months Ended 30-Jun-2003 <i>RM'000</i>
Net Cash Flow From Operating Activities	(2,320)
Net Cash Flows From Investing Activities	5,776
Net Cash Flows From Financing Activities	680
NET INCREASE IN CASH AND CASH EQUIVALENTS	<hr/> 4,136
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	876
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<hr/> <hr/> 5,012

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2002.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 JUNE 2003

6 Months Quarter Ended 30-Jun-03	Share Capital	Non Distributable Share Premium	Distributable Retained Profit	Total
As at 01 January 2003	54,000	1,309	909	56,218
Issue of Share Capital	8,000	4,800	-	12,800
Acquisition of Subsidiaries	-	-	-	-
Rights Issue	-	-	-	-
Shares Issuance Expenses	-	(916)	-	(916)
Net Profit For The Period	-	-	4,850	4,850
As At 30/06/2003	62,000	5,193	5,759	72,952

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2002.

ORNAPAPER BERHAD (573695-W)

UNAUDITED RESULTS

FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2003

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 the Kuala Lumpur Stock Exchange ("KLSE").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2002. 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 2002.

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 2002, except for the adoption of MASB 25. The changes and effects of adopting MASB 25 which resulted in prior year adjustments are as follows:

(a) Change in Accounting Policies

MASB 25: Income Taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Group and the Company have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

(b) Prior Year Adjustments

The changes in accounting policies have been applied retrospectively and comparatives have been restated. The effects of changes in accounting policies are as follows:

	2003	2002
	RM'000	RM'000
Effects on Reserve on Consolidation		
At 1 January, as previously stated	10,323	10,323
Effects on adopting MASB 25	(5,632)	(5,632)
At 1 January, as restated	<u>4,691</u>	<u>4,691</u>
Effects on Deferred Taxation		
At 1 January, as previously stated	777	777
Effects on adopting MASB 25	5,632	5,632
At 1 January, as restated	<u>6,409</u>	<u>6,409</u>

EXPLANATORY NOTES

2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2002 was not qualified.

3 Seasonal or Cyclical Factors of Operations

The sales for the period under review 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 current interim period of the current financial period.

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 of the financial period under review.

7 Dividends paid

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

8 Segmental reporting

There was no segmental analysis for the period under review as the Company operates principally within one industry and within the country.

9 Valuation of property, plant and equipment

There were no valuation 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 interim period under review.

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.

13 Related Company Transactions

There is no material related party transactions during the financial quarter reported.

ORNAPAPER BERHAD (573695-W)
 UNAUDITED RESULTS
 FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2003

EXPLANATORY NOTES

14 Review of Performance

The Group registered a turnover of RM29.6 Million which is approximately 9.5% higher than RM27.1 million of the immediate preceding quarter.

However, profit before tax decreased by 3.2% to RM2.863 million as compared to RM2.957 million of the immediate preceding quarter.

The deduction in profit before tax was mainly due to lower selling prices and higher raw material costs.

15 Comparison with immediate preceding quarter.

Despite the increase in turnover, profit before tax of the group decrease to RM2.863 million from RM2.957 million compared to the last quarter.

This was mainly due to lower selling prices and higher raw materials costs.

16 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.

17 Variance from Forecast Profit and Profit Guarantee

Not Applicable

18 Taxation

	Current Quarter RM'000	Year to date RM'000
Income Tax		
- Current Quarter	222	472
- Under/(Over) provision in prior year		
Deferred Taxation	498	498
	720	970

Effective Tax Rate

Corporate Rate	28%	28%
Effective Tax Rate As Per PL	25%	17%
Variance	3%	11%

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

19 Profit on sale of unquoted investments and properties

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

ORNAPAPER BERHAD (573695-W)
UNAUDITED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2003

EXPLANATORY NOTES

20 Purchase or disposal of Quoted Securities

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

21 Status of Corporate Proposals

On 24/06/2003 and 01/8/2003, the company has announced that it is currently looking into setting up a corrugated carton and boards manufacturing in Vietnam. The cost of investment is estimated to be approximately RM17 Million.

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.

22 Company borrowings and Debt Securities

The Company does not have or issue any debt securities or long-term borrowings during the quarter period, except obtained a hire purchase facility of RM3.135 million to finance the purchase of fixed asset.

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

	RM'000
<u>Current</u>	
Bank Overdrafts - secured	181
Trade Bills - secured	36,824
Hire Purchase Payables - secured	826
	<hr/>
	37,831
<u>Non Current</u>	
Hire Purchase Payables - secured	2,579
	<hr/>
	40,410
	<hr/>

The borrowings are denominated in Ringgit Malaysia.

23 Off Balance Sheet Financial Instruments

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

24 Changes in Material Litigation

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

25 Dividends

No dividend has been recommended during the current quarter under review.

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UNAUDITED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2003

EXPLANATORY NOTES

26 Earnings per share

The computation of earnings per share is as follows :-

	Current Quarter 30.06.03	Financial year to date 30.06.03
Issued ordinary sharers at beginning of period	62,000,000	54,000,000
<u>Effect of ordinary shares issued during the period</u>		
Public Issue		8,000,000
Issued ordinary sharers at end of period	<u>62,000,000</u>	<u>62,000,000</u>
Weighted average number of ordinary shares	62,000,000	61,292,818
Basic earnings per share (sen)	3.45	7.91

By Order of the Board
Ornapaper Berhad

Sean Ne Teo
Company Secretary

Melaka
27-Aug-03