

# ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 30 JUNE 2004

	3 Months Ended		6 Months Ended	
	30-Jun-2004 ( RM'000 )	30-Jun-2003 ( RM'000 )	30-Jun-2004 ( RM'000 )	30-Jun-2003 ( RM'000 )
Revenue	31,646	29,630	62,927	56,680
Cost of Sales	(27,630)	(23,401)	(53,942)	(43,812)
Gross Profit	4,016	6,229	8,985	12,868
Other Operating Income	41	33	52	48
Operating Expenses	(3,151)	(2,983)	(6,626)	(6,299)
Profit from Operations	906	3,279	2,411	6,617
Interest Income	62	77	216	148
Finance Cost	(555)	(493)	(1,094)	(945)
Profit before Taxation	413	2,863	1,533	5,820
Taxation	(30)	(720)	(124)	(970)
Profit after Taxation	383	2,143	1,409	4,850
Minority Interest	-	-	-	-
Net Profit for the period	<b>383</b>	<b>2,143</b>	<b>1,409</b>	<b>4,850</b>
Earnings per Share (Based on 61,292,818 shares)				
- Basic ( Sen )		3.45		7.91
(Based on 62,000,000 shares)				
- Basic ( Sen )	0.62		2.27	

*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*

# ORNAPAPER BERHAD

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(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2004

	As At 30-Jun-2004 RM'000	As At 31-Dec-2003 RM'000
<b><u>NON-CURRENT ASSETS</u></b>		
Property, Plant and Equipment	75,585	71,104
Other Investment	269	269
	<u>75,854</u>	<u>71,373</u>
<b><u>CURRENT ASSETS</u></b>		
Inventories	17,069	14,755
Trade Receivables	41,711	44,067
Other Receivables	9,591	4,300
Cash and Bank Balances	12,898	6,457
	<u>81,269</u>	<u>69,579</u>
<b><u>CURRENT LIABILITIES</u></b>		
Short Term Borrowings	49,450	39,073
Trade Payables	6,410	9,249
Other Payables	2,155	2,224
	<u>58,015</u>	<u>50,546</u>
<b>NET CURRENT ASSETS</b>	23,254	19,033
	<u><b>99,108</b></u>	<u><b>90,406</b></u>
<b><u>FINANCED BY:</u></b>		
Share Capital (Explanatory Note No. 6 )	62,000	62,000
Reserves	15,452	14,043
<b>Shareholders' Equity</b>	<u>77,452</u>	<u>76,043</u>
Reserve on Consolidation	4,754	4,754
	<u>82,206</u>	<u>80,797</u>
Long Term Borrowings	9,649	2,356
Deferred Taxation	7,253	7,253
<b>Non - Current Liabilities</b>	<u>16,902</u>	<u>9,609</u>
	<u><b>99,108</b></u>	<u><b>90,406</b></u>
Net Tangible Assets Per Share (RM)	1.33	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*

## ORNAPAPER BERHAD

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### CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED 30 JUNE 2004

	6 Months Ended	
	30-Jun-2004	30-Jun-2003
	RM'000	RM'000
Net Cash Flow From Operating Activities	(4,691)	(2,320)
Net Cash Flows From Investing Activities	(6,537)	5,776
Net Cash Flows From Financing Activities	17,669	680
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>6,441</u>	<u>4,136</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,457	876
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>12,898</u></u>	<u><u>5,012</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	12,898	5,193
Bank Overdrafts	-	(181)
	<u><u>12,898</u></u>	<u><u>5,012</u></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 30 JUNE 2004

<b>6 Months Quarter Ended 30-Jun-04</b>	<b>Share Capital</b>	<b>Non Distributable Share Premium</b>	<b>Distributable Retained Profit</b>	<b>Total</b>
At 01 Jan 2004	62,000	5,193	8,850	76,043
Net Profit For The Period	-	-	1,409	1,409
At 30 June 2004	<b>62,000</b>	<b>5,193</b>	<b>10,259</b>	<b>77,452</b>
<b>As at 31 Dec 2003</b>				
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	<b>62,000</b>	<b>5,193</b>	<b>8,850</b>	<b>76,043</b>

*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 except for the corporate proposals disclosed in note 22.

**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.

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**EXPLANATORY NOTES**

**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	Note
<u>Capital expenditure not provided for:</u>		
Proposed Investment in Vietnam	8,360	22a
Proposed Acquisition of Companies	19,200	22b
Proposed Investment in Taiwan	306	22c
	<b><u>27,866</u></b>	

**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
<b><u>Perfect Food Manufacturing (M) Sdn. Bhd.</u></b>		
Sales of Corrugated Carton	465	837

*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 RM31.6 million which is approximately 6.8% higher than RM29.6 million of the preceding year corresponding period.

However, profit before tax decreased by 85.6% to RM0.4 million as compared to RM2.9 million of the preceding year corresponding period.

The decrease in profit before tax was mainly due to lower profit margin resulted from 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 RM0.4 million from RM1.1 million compared to the previous quarter.

This was due to higher production cost (mainly 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

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**19 Taxation**

	Current Quarter RM'000	Year to date RM'000
Income Tax		
- Current Quarter	30	124
- Under/(Over) provision in prior year	-	-
Deferred Taxation	-	-
	<u>30</u>	<u>124</u>

**Effective Tax Rate**

Corporate Rate	28%	28%
Effective Tax Rate As Per Income Statement	<u>7%</u>	<u>8%</u>
Variance	<u>21%</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. ("OISB(M)") as initially proposed.

Subsequently on 22 June 2004, ORNA announced that the Company has entered and formalised an Agreement with Tay Kim Huat, Yang, Wei-Chen and Tsai, Te-Shan for the purpose of co-operating and setting up the corrugated cartons and boards manufacturing plant in Ho Chi Minh City, Vietnam and other related products to be produced in the future with latest development technology.

Approval from all relevant authority / parties have been obtained.

ORNA has completed the subscription of 55% equity interest in Ornapaper Vietnam Co. Ltd. in July 2004.

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**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. ("OISB(P)") 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. ("OSIB(J)") 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. ("TPSB") 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, it was announced that ORNA had entered into three (3) Shares Sales Agreements with the respective vendors of the Acquiree Companies.

Approval from all relevant authority / parties have been obtained except for the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the new shares in ORNA which is expected to be obtained by end of August 2004.

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

**c) PROPOSED INVESTMENT IN TAIWAN**

On 18 June 2004, ORNA has announced that its wholly owned subsidiary company, OISB(M), wish to incorporate a subsidiary company in Taiwan ("the Proposed Company"). The proposed authorized and issued share capital of the Proposed Company will be NTD\$5,000,000 divided into 500,000 shares of NTD\$10 each. OISB(M) proposed to subscribe 55% equity interest comprising 275,000 ordinary shares of NTD\$10 each in the Proposed Company.

Approval from Bank Negara Malaysia was obtained on 27th July 2004.

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



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**EXPLANATORY NOTES**

**23 Company borrowings and Debt Securities**

The Company does not have or issue any debt securities or long-term borrowings during the quarter period, except for the following:

- Offshore loan facilities of USD3.1 million (equivalent to RM11.8 million) to partly finance the cost of the investment in Vietnam
- Hire purchase facility of RM5.1 million to finance the purchase of property, plant and equipment.

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

	RM'000	
<b><u>Current</u></b>		
Bank Overdrafts - secured	-	
Trade Bills - secured	47,943	
Hire Purchase Payables - secured	1,507	
Term Loan - Secured	-	
	49,450	
<b><u>Non Current</u></b>		
Hire Purchase Payables - secured	6,229	
Term Loan - secured	3,420 (USD\$0.9 million)	
	9,649	
	<b>59,099</b>	

The borrowings are denominated in Ringgit Malaysia and United State Dollar

**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 has declared 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 which has been approved by the shareholders on 30th June 2004. The notice of book closure has been announced on 04 August 2004 to Bursa Malaysia Securities Berhad.

**27 Earnings per share**

The computation of earnings per share is as follows :-

	Current Quarter	Year to date
Issued ordinary sharers at beginning of period	62,000,000	62,000,000
Issued ordinary shares at end of period	62,000,000	62,000,000
Weighted average number of ordinary shares	62,000,000	62,000,000
Net Profit	383,000	1,409,000
<b>Basic earnings per share ( sen )</b>	<b>0.62</b>	<b>2.27</b>

**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 03 August 2004

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**EXPLANATORY NOTES**

**By Order of the Board**  
**Ornapaper Berhad**

**Sean Ne Teo**  
**Company Secretary**

Melaka  
6-Aug-04