

**ORNAPAPER BERHAD**

(Company No.: 573695 W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2008**

	3 months ended		6 months ended	
	30-Jun-2008	30-Jun-2007	30-Jun-2008	30-Jun-2007
	RM'000	RM'000	RM'000	RM'000
Revenue	56,039	49,927	127,027	98,238
Cost of sales	(47,902)	(41,132)	(106,325)	(82,037)
Gross profit	<u>8,137</u>	<u>8,795</u>	<u>20,702</u>	<u>16,201</u>
Other income	579	217	889	426
Administrative and other expenses	(5,994)	(6,508)	(13,549)	(12,737)
Interest income	13	64	30	149
Finance cost	(1,371)	(1,717)	(3,000)	(3,442)
(Loss)/profit before taxation	<u>1,364</u>	<u>851</u>	<u>5,072</u>	<u>597</u>
Taxation	-	(188)	(170)	(285)
(Loss)/profit for the period	<u>1,364</u>	<u>663</u>	<u>4,902</u>	<u>312</u>
Attributable to:				
Equity holder of the parent	1,258	1,017	3,476	1,072
Minority interest	106	(354)	1,426	(760)
	<u>1,364</u>	<u>663</u>	<u>4,902</u>	<u>312</u>
Earning/(Loss) per share attributable to equity holders of parent:				
- Basic (Sen)	1.67	1.35	4.62	1.42
- Diluted (Sen)	<u>1.67</u>	<u>1.35</u>	<u>4.62</u>	<u>1.42</u>

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to these interim financial reports.

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**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008**

	As At 30-Jun-2008 RM'000	As At 30-Jun-2007 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	86,875	131,438
Investment properties		
Other investment	249	269
Deferred tax assets	429	-
Long term deposit		386
Goodwill	1,633	1,633
	<u>89,186</u>	<u>133,726</u>
<b>Current Assets</b>		
Inventories	31,823	24,158
Trade receivables	66,113	93,094
Other receivables	4,656	21,791
Fixed deposit	19	725
Cash and bank balances	3,688	6,331
Tax recoverable	359	-
	<u>106,658</u>	<u>146,099</u>
<b>TOTAL ASSETS</b>	<u><u>195,844</u></u>	<u><u>279,825</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Attributable to equity holders of parent</b>		
Share capital	75,251	75,251
Share premium	11,156	11,156
Currency fluctuation reserve	(33)	(1,494)
Retained profits	10,892	3,677
	<u>97,266</u>	<u>88,590</u>
<b>Minority Interests</b>	453	6,975
<b>Total Equity</b>	<u><u>97,719</u></u>	<u><u>95,565</u></u>
<b>Non-Current Liabilities</b>		
Long term borrowings	4,616	17,791
Deffered tax liabilities	3,663	9,421
	<u>8,279</u>	<u>27,212</u>
<b>Current Liabilities</b>		
Short term borrowings	76,948	91,426
Trade payables	6,473	44,113
Other payables	6,411	21,197
Taxation	14	312
	<u>89,846</u>	<u>157,048</u>
<b>Total Liabilities</b>	<u><u>98,125</u></u>	<u><u>184,260</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>195,844</u></u>	<u><u>279,825</u></u>
Net assets per share attributable to equity holders of parent (RM)	<u><u>1.29</u></u>	<u><u>1.18</u></u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to these interim financial reports.

**ORNAPAPER BERHAD**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2008**

	6 months ended	
	30-Jun-2008	30-Jun-2007
	RM'000	RM'000
Net cash (used in)/from operating activities	13,214	(4,598)
Net cash generated used in investing activities	(522)	(877)
Net cash generated from/(used in) financing activities	(13,691)	7,355
Net increase/(decrease) in cash and cash equivalents	<u>(999)</u>	<u>1,880</u>
Effect of foreign exchange	-	20
Cash and cash equivalents at beginning of period	(6,130)	(6,055)
Cash and cash equivalents at end of period	<u><u>(7,129)</u></u>	<u><u>(4,155)</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	3,688	6,331
Fixed deposits	-	725
Bank overdrafts	<u>(10,817)</u>	<u>(11,211)</u>
	<u><u>(7,129)</u></u>	<u><u>(4,155)</u></u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial reports.

**ORNAPAPER BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2008**

	<----- Attributable to equity holders of parent ----->						
	Non Distributable			Distributable			
	Share capital RM'000	Share premium RM'000	Currency fluctuation reserve RM'000	Retained profits RM'000	Total RM'000	Minority interest RM'000	Total Equity RM'000
<b>At 1 January 2008</b>	75,251	11,156	(2,017)	9,932	94,322	6,090	100,412
Arising during the year	-	-	(532)	-	(532)	-	(532)
Realisation upon disposal of subsidiary during the year	-	-	2,516	(2,516)	-	(7,063)	(7,063)
Net profit/(loss) for the period	-	-	-	3,476	3,476	1,426	4,902
<b>At 30 Jun 2008</b>	<u>75,251</u>	<u>11,156</u>	<u>(33)</u>	<u>10,892</u>	<u>97,266</u>	<u>453</u>	<u>97,719</u>
<b>At 1 January 2007</b>	75,251	11,156	(1,700)	8,447	93,154	7,735	100,889
Currency Fluctuation Reserve arising during the year	-	-	206	-	206	-	206
Net profit/(loss) for the period	-	-	-	1,072	1,072	(760)	312
<b>At 30 Jun 2007</b>	<u>75,251</u>	<u>11,156</u>	<u>(1,494)</u>	<u>9,519</u>	<u>94,432</u>	<u>6,975</u>	<u>101,407</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial reports.

**EXPLANATORY NOTES TO INTERIM FINANCIAL REPORTS**

**1 BASIS OF PREPARATION**

The interim financial reports have been prepared under the historical convention.

The interim financial reports are unaudited and have been prepared in compliance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial reports should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 December 2007. These explanatory notes attached to the interim financial reports 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 year ended 31 December 2007.

**2 CHANGES IN ACCOUNTING POLICIES**

During the financial quarter, there were no changes in accounting policies.

**3 AUDITORS' REPORT ON PRECEEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the financial statements for the year ended 31 December 2007 was not qualified.

**4 SEGMENTAL REPORTING**

By Geographical Location	Revenue		Profit / (Loss) Before Tax	
	3 months ended 30 Jun 08	6 months ended 30 Jun 08	3 months ended 30 Jun 08	6 months ended 30 Jun 08
	RM'000	RM'000	RM'000	RM'000
Malaysia	50,873	101,215	1,202	1,889
Vietnam	5,166	25,812	162	3,013
	56,039	127,027	1,364	4,902

**5 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial quarter.

**6 CHANGES IN ESTIMATES**

There were no changes in accounting estimates of amounts that have had a material effect in the current quarter and the current financial period to date.

**7 SEASONAL OR CYCLICAL FACTORS OF OPERATIONS**

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

**8 DIVIDENDS PAID**

No dividends were paid during the current financial quarter.

**9 VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

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

**10 DEBT 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.

**EXPLANATORY NOTES TO INTERIM FINANCIAL REPORTS**

**11 CHANGES IN COMPOSITION OF GROUP**

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

**12 CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There was no material changes in contingent liabilities or contingent assets for the current financial quarter except for the reduction of corporate guarantee of RM123 million to RM85 million given by the Company to financial institutions for credit facilities granted to subsidiaries.

**13 MATERIAL EVENTS SUBSEQUENT TO END OF INTERIM PERIOD**

There are no events subsequent to the end of interim period.

**14 RELATED PARTY TRANSACTIONS**

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

	3 months ended		6 months ended	
	30 Jun 2008 RM'000	30 Jun 2007 RM'000	30 Jun 2008 RM'000	30 Jun 2007 RM'000
<b>Sales of Carton Boxes</b>				
Perfect Food Manufacturing (M) (M) Sdn. Bhd. *	267	349	611	686
Poh Huat Furniture Industries (M) Sdn. Bhd. ^	N/A	1,203	N/A	1,915
Poh Huat Woodwork (M) Sdn. Bhd. ^	N/A	1	N/A	2
Poh Huat Furniture Industries Vietnam Ltd. ^	N/A	893	N/A	1,856
Ornapaper Industry (Penang) Sdn Bhd #	169	234	432	1,074
	436	2,680	1,043	5,533

\* Company in which Sai Chin Hock a former director (resigned on 1 September 2004), has interest

^ Companies in which Tay Kim Huat, a Director and substantial shareholder of a foreign subsidiary has interest. However, Mr Tay Kim Huat ceased to be a Director of the foreign subsidiary company at the beginning of current quarter.

# Company is in which a substantial shareholder of 5% equity is related to Lim Tau Lih, a director of the Company

The transactions above has were based on negotiated and mutually agreed terms and has been been approved by the shareholders in the previous Annual General Meeting.

**15 REVIEW OF PERFORMANCE**

The improved performance was due the group being able to increase selling prices in the face of industry in supply.

**16 COMPARISON WITH IMMEDIATE PRECEDING QUARTER**

The Group registered a turnover of RM56 million for the current quarter which is approximately 14% higher than the preceding year's quarter due to both higher volume and selling prices.

The Group made a profit of RM3.476 million as compared to profit of RM1.07 million the preceding year's quarter due to improved production efficiencies, better margins and improved performance of subsidiary in Vietnam (Accounts up to 30 April 2008 included in group's results).

**EXPLANATORY NOTES TO INTERIM FINANCIAL REPORTS**

**17 CURRENT YEAR'S PROSPECTS**

Increasing production costs due to higher fuel oil, gas and electricity tariff will continue to challenge industry players.

**18 VARIANCE FROM FORECAST PROFITS OR PROFIT GUARANTEES**

Not Applicable

**19 TAXATION**

	3 Months Ended		6 Months Ended	
	30 Jun 2008 RM'000	30 Jun 2007 RM'000	30 Jun 2008 RM'000	30 Jun 2007 RM'000
Current tax:	(170)	(188)	(170)	(285)
Deferred tax:	-	-	-	-
	<u>(170)</u>	<u>(188)</u>	<u>(170)</u>	<u>(285)</u>

The effective tax rate for the current period to-date is higher than the statutory tax rate principally because:

- (i) certain expenses are not allowed deductible for tax purposes;
- (ii) losses incurred by certain subsidiaries were not offsetted against the profits generated by other subsidiaries for group loss relief purposes; and
- (iii) Reinvestment allowances

**20 PROFIT/(LOSS) FROM SALE OF UNQUOTED INVESTMENTS AND PROPERTIES**

Nil

**21 PURCHASE OR DISPOSALS OF QUOTED SECURITIES**

Nil

**22 STATUS OF CORPORATE PROPOSALS**

There are no pending corporate proposals.

**23 COMPANY BORROWINGS AND DEBT SECURITIES**

The Company does not have or issue any debt securities during the financial quarter.

The borrowings of the Company as at the end of the current financial quarter were as follows:-

Type of Borrowing	Total RM'000	Short Term RM'000	Long Term RM'000
Bank Overdrafts - secured	10,817	10,817	-
Trade Bills - secured	61,568	61,568	-
Hire Purchase Payables - secured	6,997	3,381	3,616
Term Loan - Secured	2,181	282	1,899
	<u>81,563</u>	<u>76,048</u>	<u>5,515</u>

**24 OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

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

**EXPLANATORY NOTES TO INTERIM FINANCIAL REPORTS**

**25 CHANGES IN MATERIAL LITIGATION**

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

**26 DIVIDEND PROPOSED**

No interim ordinary dividend has been declared for the financial period ended 30th June 2008.

**27 EARNINGS/(LOSS) PER SHARE**

Earnings per share amounts are calculated by dividing profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period:

	<b>3 Months Ended</b>		<b>6 Months Ended</b>	
	<b>30 Jun 2008</b>	<b>30 Jun 2007</b>	<b>30 Jun 2008</b>	<b>30 Jun 2007</b>
Issued ordinary sharers at the beginning and end of period	<u>75,251</u>	<u>75,251</u>	<u>75,251</u>	<u>75,251</u>
Weighted average number of shares ('000)	<u>75,251</u>	<u>75,251</u>	<u>75,251</u>	<u>75,251</u>
Net Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000)	<u>1,258</u>	<u>1,017</u>	<u>3,476</u>	<u>1,072</u>
Basic (loss)/earnings per share (Sen)	<u>1.67</u>	<u>1.35</u>	<u>4.62</u>	<u>1.42</u>
Diluted (loss)/earnings per share (Sen)	<u>1.67</u>	<u>1.35</u>	<u>4.62</u>	<u>1.42</u>

**28 AUTHORITY 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 August 2008.

**By Order of the Board**