

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2004

	3 Months Ended		9 Months Ended	
	30-Sep-2004 (RM'000)	30-Sep-2003 (RM'000)	30-Sep-2004 (RM'000)	30-Sep-2003 (RM'000)
Revenue	33,001	31,550	95,928	88,230
Cost of Sales	(28,350)	(25,933)	(82,292)	(69,745)
Gross Profit	4,651	5,617	13,636	18,485
Other Operating Income	176	75	228	123
Operating Expenses	(4,088)	(3,375)	(10,714)	(9,674)
Profit from Operations	739	2,317	3,150	8,934
Interest Income	233	85	449	233
Finance Cost	(908)	(569)	(2,002)	(1,514)
Profit before Taxation	64	1,833	1,597	7,653
Taxation	(27)	(343)	(151)	(1,313)
Profit after Taxation	37	1,490	1,446	6,340
Minority Interest	65	-	65	-
Net Profit for the period	102	1,490	1,511	6,340
Earnings per Share (Note 27)				
- Basic (Sen)	0.15	2.40	2.38	10.30

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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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2004

	As At 30-Sep-2004 RM'000	As At 31-Dec-2003 RM'000
<u>NON-CURRENT ASSETS</u>		
Property, Plant and Equipment	122,240	71,104
Other Investment	269	269
	<u>122,509</u>	<u>71,373</u>
<u>CURRENT ASSETS</u>		
Inventories	20,783	14,755
Trade Receivables	54,868	44,067
Other Receivables	3,059	4,300
Cash and Bank Balances	11,049	6,457
	<u>89,759</u>	<u>69,579</u>
<u>CURRENT LIABILITIES</u>		
Short Term Borrowings	56,339	39,073
Trade Payables	7,445	9,249
Other Payables	2,919	2,224
	<u>66,703</u>	<u>50,546</u>
NET CURRENT ASSETS	23,056	19,033
	<u>145,565</u>	<u>90,406</u>
<u>FINANCED BY:</u>		
Share Capital	75,251	62,000
Reserves	18,417	14,043
Shareholders' Equity	<u>93,668</u>	<u>76,043</u>
Reserve on Consolidation	3,575	4,754
	97,243	80,797
Minority Interests	13,883	-
	<u>111,126</u>	<u>80,797</u>
Long Term Borrowings	26,106	2,356
Deferred Taxation	8,333	7,253
Non - Current Liabilities	<u>34,439</u>	<u>9,609</u>
	<u>145,565</u>	<u>90,406</u>
Net Tangible Assets Per Share (RM)	1.29	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 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2004

	9 Months Ended	
	30-Sep-2004 RM'000	30-Sep-2003 RM'000
Net Cash Generated From / (Used In) Operating Activities	(1,343)	1,094
Net Cash Generated From / (Used In) Investing Activities	(19,251)	3,618
Net Cash Generated From / (Used In) Financing Activities	16,118	656
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(4,476)</u>	<u>5,368</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,457	876
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>1,981</u>	<u>6,244</u>
Cash and cash equivalents comprise:		
Cash and bank balances	11,049	7,163
Bank Overdrafts	(9,068)	(919)
	<u>1,981</u>	<u>6,244</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

(Company No.: 573695 W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2004

9 Months Ended 30-Sep-04	Share Capital	Non Distributable Share Premium	Distributable Retained Profit	Total
At 01 Jan 2004	62,000	5,193	8,850	76,043
Issue of Ordinary Shares: Acquisition of Subsidiary	13,251	5,963		19,214
Net Profit For The Period			1,511	1,511
Dividends			(3,100)	(3,100)
At 30 Sep 2004	75,251	11,156	7,261	93,668
9 Months Ended 30-Sep-03				
At 01 Jan 2003 Originally Reported	54,000	1,309	909	56,218
Prior Year Adjustment Restated	54,000	1,309	(124)	(124)
	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	-	-	6,340	6,340
At 30 Sep 2003	62,000	5,193	7,125	74,318

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

ORNAPAPER BERHAD (573695-W)
UNAUDITED FINANCIAL RESULTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2004

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 except that on 1 September 2004, the Company issued 13,250,601 new ordinary shares of RM1 each at an issue price of RM1.45 per ordinary shares amounting to RM19,213,371 as purchase consideration for acquisition of 100% equity interest in Tripack Packaging (M) Sdn. Bhd., 80% equity interest in Ornapaper Industry (Johor) Sdn. Bhd. and 100% equity interest in Ornapaper Industry (Perak) Sdn. Bhd.

7 Dividends paid

A final tax exempt dividend of 5% on 62,000,000 ordinary shares in respect of the year ended 31 December 2003 amounting to RM3,100,000 was declared on 30 June 2004 and paid on 21 September 2004.

8 Segmental reporting

By Geographical Location -

	Revenue		Profit / (Loss) Before Tax	
	3 Months Ended RM'000	9 Months Ended RM'000	3 Months Ended RM'000	9 Months Ended RM'000
Malaysia	33,001	95,928	208	1,741
Vietnam	-	-	(144)	(144)
	33,001	95,928	64	1,597

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 that the group set up a 52.38% owned subsidiary i.e. Paper House Co., Ltd., a company incorporated in Taiwan, by way of a cash subscription of NT\$2.75 million (RM0.31 million). (Refer note 13, 22B)

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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 except for investment in / acquisition of the following subsidiaries:

No.	Name of Subsidiaries	Country of Incorporation	Equity Interest Held	Principal Activities
1	Tripack Packaging (M) Sdn, Bhd.	Malaysia	100%	Manufacturing of Carton Boxes
2	Ornapaper Industry (Johor) Sdn. Bhd.	Malaysia	80%	Manufacturing of Carton Boxes
3	Ornapaper Industry (Perak) Sdn. Bhd.	Malaysia	100%	Manufacturing of Corrugated Board and Carton Boxes
4	Ornapaper Vietnam Co., Ltd.	Vietnam	55%	Manufacturing of Corrugated Board and Carton Boxes

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 guarantee amounting RM67.8 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	Note
<u>Contracted but not provided for:</u>		
Proposed Investment in Taiwan	309	10, 22B
Acquisition of property, plant and equipment	18,646	
	18,955	

14 Related Company Transactions

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

	Current Quarter RM'000	9 Months Period RM'000
<u>Sales of Carton Boxes</u>		
Perfect Food Manufacturing (M) Sdn. Bhd.	436	1,273
<i>The above company is one in which Sai Chin Hock (resigned on 1 September 2004), a Director has interest</i>		
Poh Huat Furniture Industries (M) Sdn. Bhd.	363	363
Poh Huat Woodwork (M) Sdn. Bhd.	31	31
<i>The above companies is one in which Tay Kim Huat, a Director of subsidiary has interest</i>		
Total:	830	1,667

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 RM33.0 million which is approximately 4.60% higher than RM31.5 million of the preceding year corresponding period.

Despite the increase in turnover, profit before tax decreased by 96.51% to RM0.06 million as compared to RM1.83 million of the preceding year corresponding period.

The decrease in profit before tax were mainly due to higher raw material cost and operating cost during the reporting quarter.

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EXPLANATORY NOTES

16 Comparison with immediate preceding quarter.

For the current quarter under review, profit before tax decreased by 84.50% to RM0.06 million from RM0.41 million registered in the previous quarter.

This was mainly due to higher finance cost incurred and losses incurred by a foreign subsidiary 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

19 Taxation

	Current Quarter RM'000	9 Months Period RM'000
Income Tax		
- Current Quarter	27	151
- Under/(Over) provision in prior year	-	-
Deferred Taxation	-	-
	<u>27</u>	<u>151</u>

Effective Tax Rate

Corporate Rate	28%	28%
Effective Tax Rate As Per Income Statement	<u>42%</u>	<u>9%</u>
Variance	<u>-14%</u>	<u>19%</u>

The effective tax rate for the quarter is higher than the statutory tax rate applicable to the Company's profits is mainly due to losses incurred by subsidiary for which there is no group relief.

The effective tax rate for the 9 months period 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) ACQUISITION OF COMPANIES

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

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

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B) PROPOSED INVESTMENT IN TAIWAN

On 18/06/2004, ORNA has announced that its wholly owned subsidiary company, Ornapaper Industry (M) Sdn. Bhd. ("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 NTD5,000,000 divided into 500,000 shares of NTD10 each. OISB(M) proposed to subscribe 55% equity interest comprising 275,000 ordinary shares of NTD10 each in the Proposed Company.

Subsequently on 19 November 2004, ORNA has announced that OISB(M) has incorporated a subsidiary company in Taiwan namely Paper House Co., Ltd. ("Paper House"). The authorised and issued share capital of Paper House stands at NTD5,250,000 divided into 525,000 shares of NTD10 each. OISB(M) subscribed 52.38% equity interest comprising 275,000 ordinary shares of NTD10 each in Paper House.

Bank Negara Malaysia has approved the above investment vide their letter dated 27/07/2004 and 28/08/2004.

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 Offshore loan facilities of USD3.1 million (equivalent to RM11.8 million) to finance partly the investment in Ornapaper Vietnam Co., Ltd.

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	9,068	9,068	
Trade Bills - secured	45,028	45,028	
Hire Purchase Payables - secured	9,842	1,909	7,933
Term Loan - Secured	18,507	334	18,173
	82,445	56,339	26,106

The borrowings are denominated in the following currencies:

	Equivalent (RM'000)
Ringgit Malaysia	64,412
United States Dollars	18,033
Total Borrowings	82,445

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.

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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	62,000,000	62,000,000
<u>Effect of ordinary shares issued during the period</u>		
Acquisition of Subsidiary	13,250,601	13,250,601
Issued ordinary shares at end of period	<u>75,250,601</u>	<u>75,250,601</u>
Weighted average number of ordinary shares	66,320,848	63,450,796
Net Profit	102,000	1,511,000
Basic earnings per share (sen)	0.15	2.38
Diluted 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 November 2004

By Order of the Board
Ornapaper Berhad

Sean Ne Teo
Company Secretary

Melaka
30-Nov-04