

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2005

	3 Months Ended		9 Months Ended	
	30-Sep-2005 (RM'000)	30-Sep-2004 (RM'000)	30-Sep-2005 (RM'000)	30-Sep-2004 (RM'000)
Revenue	46,980	33,001	128,911	95,928
Cost of Sales	(41,165)	(28,350)	(112,759)	(82,292)
Gross Profit	5,815	4,651	16,152	13,636
Other Operating Income	247	176	286	228
Operating Expenses	(7,521)	(4,088)	(19,785)	(10,714)
(Loss) / Profit from Operations	(1,459)	739	(3,347)	3,150
Interest Income	186	233	284	449
Finance Cost	(1,435)	(908)	(3,880)	(2,002)
(Loss) / Profit before Taxation and Minority Interest	(2,708)	64	(6,943)	1,597
Taxation	(69)	(27)	(324)	(151)
(Loss) / Profit after Taxation	(2,777)	37	(7,267)	1,446
Minority Interest	1,377	65	3,192	65
Net (Loss) / Profit for the period	(1,400)	102	(4,075)	1,511
(Loss) / Earnings per Share (Note 27)				
- Basic (Sen)	(1.86)	0.15	(5.42)	2.38

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2005

	As At 30-Sep-2005 RM'000	As At 31-Dec-2004 RM'000
<u>NON-CURRENT ASSETS</u>		
Property, Plant and Equipment	136,011	133,642
Other Investment	269	269
Deffered Tax Assets	77	157
	<u>136,357</u>	<u>134,068</u>
<u>CURRENT ASSETS</u>		
Inventories	26,596	25,887
Trade Receivables	68,472	54,083
Other Receivables	3,846	5,730
Cash and Bank Balances	9,118	14,582
	<u>108,032</u>	<u>100,282</u>
<u>CURRENT LIABILITIES</u>		
Short Term Borrowings	71,201	66,205
Trade Payables	19,230	13,294
Other Payables	7,723	4,630
	<u>98,154</u>	<u>84,129</u>
NET CURRENT ASSETS	9,878	16,153
	<u>146,235</u>	<u>150,221</u>
<u>FINANCED BY:</u>		
Share Capital	75,251	75,251
Reserves	13,351	17,633
Shareholders' Equity	<u>88,364</u>	<u>92,884</u>
Reserve on Consolidation	3,182	3,182
	91,546	96,066
Minority Interests	10,693	13,885
	<u>102,239</u>	<u>109,951</u>
Long Term Borrowings	34,589	30,783
Deffered Tax Liabilities	9,407	9,487
Non - Current Liabilities	<u>43,996</u>	<u>40,270</u>
	<u>146,235</u>	<u>150,221</u>
Net Tangible Assets Per Share (RM)	1.22	1.28

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2005

	9 Months Ended	
	30-Sep-2005	30-Sep-2004
	RM'000	RM'000
Net Cash Generated From / (Used In) Operating Activities	(5,074)	(1,343)
Net Cash Generated From / (Used In) Investing Activities	(8,494)	(19,251)
Net Cash Generated From / (Used In) Financing Activities	2,431	16,118
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(11,137)</u>	<u>(4,476)</u>
EFFECT OF EXCHANGE RATE CHANGES	507	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	12,362	6,457
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>1,732</u>	<u>1,981</u>
Cash and cash equivalents comprise:		
Cash and bank balances	9,118	11,049
Bank Overdrafts	(7,386)	(9,068)
	<u>1,732</u>	<u>1,981</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2004 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 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2005

9 Months Ended 30-Sep-05	Share Capital	Non Distributable Share Premium	Non Distributable Foreign Exchange	Distributable Retained Profit	Total
At 01 Jan 2005	75,251	11,156	4	6,473	92,884
Foreign Exchange Reserve			(445)		(445)
Net Loss For The Period				(4,075)	(4,075)
At 30 Sept 2005	75,251	11,156	(441)	2,398	88,364
9 Months Ended 30-Sep-04					
At 01 Jan 2004	62,000	5,193		8,850	76,043
Issue of Ordinary Share: 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 Sept 2004	75,251	11,156	-	7,261	93,668

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2004 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 2004. 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 2004.

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 2004.

2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2004 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 or declared during the current quarter of the financial period.

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	40,559	118,067	336	132
Vietnam	6,329	10,681	(3,041)	(7,004)
Republic of China	92	163	(3)	(71)
	46,980	128,911	(2,708)	(6,943)

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

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 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.

13 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	9,013
	9,013

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
i <u>Purchase of Furniture</u>		
Poh Huat Furniture Industries (M) Sdn. Bhd.	-	96
<i>The above company is one in which Tay Kim Huat, a Director and substantial shareholder of a foreign subsidiary has interest</i>		
Total:	-	96
ii <u>Sales of Carton Boxes</u>		
Perfect Food Manufacturing (M) Sdn. Bhd.	511	1,241
<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.	565	1,604
Poh Huat Woodwork (M) Sdn. Bhd.	54	94
Poh Huat Furniture Industries Vietnam Ltd.	679	1,313
<i>The above companies is one in which Tay Kim Huat, a Director and substantial shareholder of a foreign subsidiary has interest</i>		
Total:	1,809	4,252

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 RM47 million which is approximately 42% higher than RM33 million registered in the preceding year corresponding period primarily due to the revenue generated by the new subsidiaries acquired in September 2004 and revenue generated by a foreign subsidiary.

Despite the increase in turnover, the Group registered a loss before tax and minority interest of RM2.7 million as compared to profit before tax of RM64,000 of the preceding year corresponding period.

The loss was mainly attributable to losses incurred by a foreign subsidiary during the reporting quarter.

16 Comparison with immediate preceding quarter.

For the current quarter under review, the Group incurred a slightly lower loss before tax and minority interest of RM2.7 million as compared to loss before tax and minority interest of RM3 million registered in the previous quarter.

This was mainly attributable to higher turnover generated 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 year 2005.

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	69	324
- Under/(Over) provision in prior year		
Deferred Taxation		
	69	324

Effective Tax Rate

Corporate Rate	28%	28%
Variance	-31%	-33%
Effective Tax Rate as per Income Statement	-3%	-5%

The effective tax rate is higher than disproportionate as compared to the statutory tax rate principally because the losses incurred by foreign subsidiaries cannot be used to set off against the taxable profits earned by other Malaysian subsidiaries for tax purposes.

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.

23 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 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	7,386	7,386	-
Trade Bills - secured	59,057	59,057	-
Hire Purchase Payables - secured	8,027	2,143	5,884
Term Loan - Secured	31,320	2,615	28,705
	105,790	71,201	34,589

The borrowings are denominated in the following currencies:

	Equivalent (RM'000)
Ringgit Malaysia	68,342
United States Dollars	37,448
Total Borrowings	105,790

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.

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	75,250,601	75,250,601
Issued ordinary shares at end of period	<u>75,250,601</u>	<u>75,250,601</u>
Weighted average number of ordinary shares	75,250,601	75,250,601
Net (Loss) / Profit	(1,400,000)	(4,075,000)
Basic (loss) / earnings per share (sen)	(1.86)	(5.42)
Diluted (loss) / 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 29th November 2005 .

**By Order of the Board
Ornapaper Berhad**

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

Melaka
30-Nov-05