

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 9 MONTHS PERIOD EN 30 SEPTEMBER 2006

| | 3 Months Ended | | 9 Months Ended | |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 30-Sep-2006 RM'000 | 30-Sep-2005 RM'000 | 30-Sep-2006 RM'000 | 30-Sep-2005 RM'000 |
| Revenue | 58,854 | 46,980 | 153,760 | 128,911 |
| Cost of Sales | (52,710) | (41,165) | (137,747) | (112,759) |
| Gross Profit | 6,144 | 5,815 | 16,013 | 16,152 |
| Other Income | 175 | 247 | 987 | 286 |
| Administrative and Other Expenses | (6,642) | (7,521) | (19,631) | (19,785) |
| Interest Income | 135 | 186 | 424 | 284 |
| Finance Cost | (1,771) | (1,435) | (5,179) | (3,880) |
| Loss before Taxation | (1,959) | (2,708) | (7,386) | (6,943) |
| Taxation | 8 | (69) | (165) | (324) |
| Loss for the period | (1,951) | (2,777) | (7,551) | (7,267) |
| Attributable to : | | | | |
| Equity holder of the parent | (1,110) | (1,400) | (4,793) | (4,075) |
| Minority Interest | (841) | (1,377) | (2,758) | (3,192) |
| | (1,951) | (2,777) | (7,551) | (7,267) |
| Loss per Share (Note 28) | | | | |
| - Basic (Sen) | (1.48) | (1.86) | (6.37) | (5.42) |

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2006

| | As At 30-Sep-2006 RM'000 | As At 31-Dec-2005 RM'000 |
|---|--------------------------------|--------------------------------|
| ASSETS | | |
| Non-Current Assets | | |
| Property, Plant and Equipment | 138,387 | 147,277 |
| Intangible assets | 1,633 | - |
| Other Investment | 272 | 269 |
| Long term deposits | - | 8 |
| Deffered Tax Assets | 95 | 126 |
| | <u>140,387</u> | <u>147,680</u> |
| Current Assets | | |
| Inventories | 26,096 | 24,726 |
| Trade Receivables | 74,040 | 74,554 |
| Other Receivables | 6,328 | 4,537 |
| Cash and Bank Balances | 2,357 | 6,557 |
| | <u>108,821</u> | <u>110,374</u> |
| TOTAL ASSETS | <u>249,208</u> | <u>258,054</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the parent | | |
| Share capital | 75,251 | 75,251 |
| Share premium | 11,156 | 11,156 |
| Other reserves | (803) | (479) |
| Retained Earnings | 843 | 809 |
| | <u>86,447</u> | <u>86,737</u> |
| Minority Interests | 9,110 | 12,499 |
| Total Equity | <u>95,557</u> | <u>99,236</u> |
| Negative goodwill | - | 3,181 |
| | <u>95,557</u> | <u>102,417</u> |
| Non-Current Liabilities | | |
| Long Term Borrowings | 26,558 | 31,064 |
| Deffered Tax Liabilities | 9,992 | 9,923 |
| | <u>36,550</u> | <u>40,987</u> |
| Current Liabilities | | |
| Short Term Borrowings | 77,675 | 84,429 |
| Trade Payables | 31,315 | 22,407 |
| Other Payables | 8,111 | 7,814 |
| | <u>117,101</u> | <u>114,650</u> |
| Total Liabilities | 153,651 | 155,637 |
| TOTAL EQUITY AND LIABILITIES | <u>249,208</u> | <u>258,054</u> |
| Net Assets Per Share Attributable to Equity Holders of the Parent(RM) | 1.15 | 1.15 * |

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements

* Restated

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 9 MONTHS PERIOD 30 SEPTEMBER 2006

| | 9 Months Ended | |
|--|-----------------------|---------------------|
| | 30-Sep-2006 | 30-Sep-2005 |
| | RM'000 | RM'000 |
| Net Cash Generated From / (Used In) Operating Activities | 5,066 | (5,074) |
| Net Cash Generated From / (Used In) Investing Activities | 1,082 | (8,494) |
| Net Cash Generated From / (Used In) Financing Activities | (16,743) | 2,431 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | <u>(10,595)</u> | <u>(11,137)</u> |
| EFFECT OF EXCHANGE RATE CHANGES | 3 | 507 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE | 2,492 | 12,362 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | <u>(8,100)</u> | <u>1,732</u> |
| | | |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 2,357 | 9,118 |
| Bank Overdrafts | (10,457) | (7,386) |
| | <u>(8,100)</u> | <u>1,732</u> |

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 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 2006

| 9 Months Ended | Attributable to Equity Holders of the Parent | | | | Total | Minority Interest | Total |
|--------------------------|--|---------------------------------|--|-------------------|---------------|-------------------|----------------|
| | Share Capital | Non Distributable Share Premium | Distributable Exchange Fluctuation Reserve | Retained Earnings | | | |
| 30-Sep-06 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 01 Jan 2006 | 75,251 | 11,156 | (479) | 809 | 86,737 | 12,499 | 99,236 |
| Effect of adopting FRS 3 | - | - | - | 4,814 | 4,814 | - | 4,814 |
| | 75,251 | 11,156 | (479) | 5,623 | 91,551 | 12,499 | 104,050 |
| Foreign Exchange Reserve | - | - | (324) | 13 | (311) | (631) | (942) |
| Net Loss For The Period | - | - | - | (4,793) | (4,793) | (2,758) | (7,551) |
| At 30 Sept 2006 | 75,251 | 11,156 | (803) | 843 | 86,447 | 9,110 | 95,557 |
| 9 Months Ended | | | | | | | |
| 30-Sep-05 | | | | | | | |
| At 01 Jan 2005 | 75,251 | 11,156 | 4 | 6,473 | 92,884 | 13,885 | 106,769 |
| Foreign Exchange Reserve | - | - | 16 | - | 16 | 18 | 34 |
| Net Loss For The Period | - | - | - | (2,675) | (2,675) | (1,815) | (4,490) |
| At 30 Sept 2005 | 75,251 | 11,156 | 20 | 3,798 | 90,225 | 12,088 | 102,313 |

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements

EXPLANATORY NOTES PURSUANT TO FRS 134

1 Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134: Interim Financial Report and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The quarterly financial report should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 December 2005.

2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of a total 18 new/ revised Financial Reporting Standards and other interpretations (herein thereafter referred as FRSs) effective for the financial statements commencing 1 January 2006.

The principal effects of the changes in accounting policies resulting from the adoption of the new/ revised FRSs are discussed below:

a) FRS 3: Business Combinations

Under FRS 3, the excess of the cost of acquisitions over the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities is recognised as goodwill. Goodwill is carried at cost less accumulated impairment losses and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed.

Prior to 1 January 2006, goodwill was stated at cost less impairment losses and offsetted against negative goodwill and disclosed separately in the balance sheet. Goodwill and negative goodwill are not amortised.

In accordance with the transitional provision of FRS 3, the negative goodwill of RM4,814,000 was derecognised with a corresponding increase in retained earnings. The remaining goodwill of RM1,633,000 is now disclosed in the balance sheet as an intangible asset:

| Goodwill on consolidation | Negative Goodwill RM'000 | Goodwill RM'000 | Net RM'000 |
|---------------------------------------|-----------------------------|--------------------|---------------|
| As at 1 January 2006 | (4,814) | 1,633 | (3,181) |
| Effect of FRS 3: | | | |
| Adjusted to opening retained earnings | 4,814 | - | 4,814 |
| | ----- | ----- | ----- |
| Disclosed as intangible asset | - | 1,633 | 1,633 |
| | ===== | ===== | ===== |

b) FRS 101: Presentation of Financial Statements.

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the net profit or loss for the period. A similar requirement is also applicable to the statement of the changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.

4 Seasonal or Cyclical Factors of Operations

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

EXPLANATORY NOTES PURSUANT TO FRS 134

5 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.

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 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.

8 Dividends paid

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

9 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 | 49,038 | 125,983 | (97) | (1,337) |
| Vietnam | 9,674 | 27,244 | (1,844) | (6,064) |
| Republic of China | 142 | 533 | (18) | 15 |
| | 58,854 | 153,760 | (1,959) | (7,386) |

10 Valuation of property, plant and equipment

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

11 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

12 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.

13 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 RM87 million given by the Company to financial institutions for credit facilities granted to subsidiaries.

14 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

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ORNAPAPER BERHAD (573695-W)
UNAUDITED FINANCIAL RESULTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2006

EXPLANATORY NOTES PURSUANT TO FRS 134

15 Related Party 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>Sales of Carton Boxes</u> | | |
| Perfect Food Manufacturing (M) Sdn. Bhd. | 584 | 1,469 |
| <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. | 817 | 2,353 |
| Poh Huat Woodwork (M) Sdn. Bhd. | - | 42 |
| Poh Huat Furniture Industries Vietnam Ltd. | 832 | 2,090 |
| <i>The above companies is one in which Tay Kim Huat, a Director and substantial shareholder of a foreign subsidiary has interest</i> | | |
| Total: | 2,233 | 5,954 |

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.

16 Review of Performance

The Group registered a turnover of RM58.9 million which is approximately 25% higher than RM47 million registered in the preceding year corresponding period primarily due to revenue generated by a foreign subsidiary which commenced operations in early 2005.

The increase in turnover has resulted the Group registered a lower loss before tax of RM1.96 million as compared to loss before tax of RM2.71 million of the preceding year corresponding period.

17 Comparison with immediate preceding quarter.

For the current quarter under review, the Group incurred a loss before tax of RM1.96 million as compared to loss before tax of RM2.69 million registered in the previous quarter.

The decrease in loss before tax was mainly due to improvement on the performance of Malaysia's operations.

18 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.

19 Variance from Forecast Profit and Profit Guarantee

Not Applicable

EXPLANATORY NOTES PURSUANT TO FRS 134

20 Taxation

| | 3 Months Ended | | 9 Months Ended | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30-Sep-2006 (RM'000) | 30-Sep-2005 (RM'000) | 30-Sep-2006 (RM'000) | 30-Sep-2005 (RM'000) |
| Income Tax | | | | |
| - Current Quarter | (8) | 69 | (65) | 324 |
| - Under/(Over) provision in prior year | | | | |
| Deferred Taxation | - | - | (100) | - |
| | <u>(8)</u> | <u>69</u> | <u>(165)</u> | <u>324</u> |

Effective Tax Rate

| | | | | |
|--|-----------|-------------|------------|-------------|
| Corporate Rate | 28% | 28% | 28% | 28% |
| Variance | -28% | -45% | -30% | -45% |
| Effective Tax Rate as per Income Statement | <u>0%</u> | <u>-17%</u> | <u>-2%</u> | <u>-17%</u> |

The effective tax rate is higher due to the losses incurred by foreign subsidiaries which cannot be used to set off against the taxable profits earned by other Malaysian subsidiaries for tax purposes.

21 Profit on sale of unquoted investments and properties

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

22 Purchase or disposal of Quoted Securities

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

23 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.

24 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 as at the end of the current financial quarter are as follows:-

| <u>Type of Borrowing</u> | <u>Total</u> RM'000 | <u>Short Term</u> RM'000 | <u>Long Term</u> RM'000 |
|----------------------------------|-------------------------------|------------------------------------|-----------------------------------|
| Bank Overdrafts - secured | 10,457 | 10,457 | - |
| Trade Bills - secured | 57,904 | 57,904 | - |
| Hire Purchase Payables - secured | 10,938 | 3,219 | 7,719 |
| Term Loan - Secured | 24,934 | 6,095 | 18,839 |
| | <u>104,233</u> | <u>77,675</u> | <u>26,558</u> |

The borrowings are denominated in the following currencies:

| | Equivalent (RM'000) |
|-------------------------|------------------------|
| Ringgit Malaysia | 70,916 |
| United States Dollars | 33,317 |
| Total Borrowings | <u><u>104,233</u></u> |

ORNAPAPER BERHAD (573695-W)
UNAUDITED FINANCIAL RESULTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2006

EXPLANATORY NOTES PURSUANT TO FRS 134

25 Off Balance Sheet Financial Instruments

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

26 Changes in Material Litigation

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

27 Dividend Payable

The Directors do not recommend any dividend to be paid in respect of the current financial period.

28 Earnings Per Share

The computation of earnings per share is as follows :-

| | 3 Months Ended | | 9 Months Ended | |
|---|-----------------------|--------------------|-----------------------|--------------------|
| | 30-Sep-2006 | 30-Sep-2005 | 30-Sep-2006 | 30-Sep-2005 |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Issued ordinary sharers at beginning of period | 75,251 | 75,251 | 75,251 | 75,251 |
| Issued ordinary shares at end of period | <u>75,251</u> | <u>75,251</u> | <u>75,251</u> | <u>75,251</u> |
| Weighted average number of ordinary shares ('000) | 75,251 | 75,251 | 75,251 | 75,251 |
| Net Loss attributable to ordinary equity holders of the parent (RM'000) | (1,110) | (1,400) | (4,793) | (4,075) |
| Basic (loss) / earnings per share (sen) | (1.48) | (1.86) | (6.37) | (5.42) |
| Diluted (loss) / earnings per share (sen) | N/A | N/A | N/A | N/A |

29 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 15 November 2006.