

# ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2003

	3 Months Ended		12 Months Ended	
	31-Dec-2003 ( RM'000 )	31-Dec-2002 ( RM'000 )	31-Dec-2003 ( RM'000 )	31-Dec-2002 ( RM'000 )
Revenue	34,599	8,732	122,829	8,732
Cost of Sales	(28,618)	(6,381)	(98,363)	(6,381)
Gross Profit	5,981	2,351	24,466	2,351
Other Operating Income	81	-	204	-
Operating Expenses	(3,767)	(1,100)	(13,441)	(1,100)
Profit from Operations	2,295	1,251	11,229	1,251
Interest Income	1	26	234	26
Finance Cost	(355)	(230)	(1,869)	(230)
Profit before Taxation	1,941	1,047	9,594	1,047
Taxation	(216)	(262)	(1,529)	(262)
Profit after Taxation	1,725	785	8,065	785
Minority Interest	-	-	-	-
Net Profit for the period	<b>1,725</b>	<b>785</b>	<b>8,065</b>	<b>785</b>
Earnings per Share				
31/12/2003: 61,333,333 shares				
31/12/2002: 4,645,615 shares				
- Basic ( Sen )	2.78	16.90	13.15	16.90

*The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the period from 12 March 2002, the date of incorporation to 31 December 2002.*

The acquisition of operating subsidiaries Ornapaper Industry (M) Sdn. Bhd. and Ornapaper Industry (Batu Pahat) Sdn. Bhd. were only completed on 01/12/2002. Accordingly the profit contribution from these subsidiaries was only recognised as from that date.

# ORNAPAPER BERHAD

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## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2003

	As At 31-Dec-2003 RM'000	As At 31-Dec-2002 RM'000
<b><u>NON-CURRENT ASSETS</u></b>		
Property, Plant and Equipment	71,105	66,513
Other Investment	269	269
	<u>71,374</u>	<u>66,782</u>
<b><u>CURRENT ASSETS</u></b>		
Inventories	14,755	12,863
Trade Receivables	44,066	33,472
Other Receivables	4,300	1,218
Cash and Bank Balances	6,456	4,764
	<u>69,577</u>	<u>52,317</u>
<b><u>CURRENT LIABILITIES</u></b>		
Short Term Borrowings	39,073	38,490
Trade Payables	9,249	5,294
Other Payables	2,224	3,050
	<u>50,546</u>	<u>46,834</u>
<b>NET CURRENT ASSETS</b>	19,031	5,483
	<u><b>90,405</b></u>	<u><b>72,265</b></u>
<b><u>FINANCED BY:</u></b>		
Share Capital (Explanatory Note No. 6 )	62,000	54,000
Reserves	14,043	2,094
<b>Shareholders' Equity</b>	<u>76,043</u>	<u>56,094</u>
Long Term Borrowings	2,356	4,947
Deferred Taxation	7,253	6,471
Reserve on Consolidation	4,753	4,753
<b>Non - Current Liabilities</b>	<u>14,362</u>	<u>16,171</u>
	<u><b>90,405</b></u>	<u><b>72,265</b></u>
Net Tangible Assets Per Share (RM)	1.23	1.04

*The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the period from 12 March 2002, the date of incorporation to 31 December 2002.*

## ORNAPAPER BERHAD

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### CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2003

	12 Months Ended	
	31-Dec-2003	31-Dec-2002
	RM'000	RM'000
Net Cash Flow From Operating Activities	306	(1,675)
Net Cash Flows From Investing Activities	7,121	885
Net Cash Flows From Financing Activities	(1,847)	1,666
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>5,580</u>	<u>876</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	876	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><b>6,456</b></u>	<u><b>876</b></u>
Cash and cash equivalents comprise:		
Cash and bank balances	6,456	4,764
Bank Overdrafts	-	(3,888)
	<u><b>6,456</b></u>	<u><b>876</b></u>

*The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the period from 12 March 2002, the date of incorporation to 31 December 2002.*

## ORNAPAPER BERHAD

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(Incorporated in Malaysia)

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 DECEMBER 2003

12 Months Quarter Ended 31-Dec-03	Share Capital	Non Distributable Share Premium	Distributable Retained Profit	Total
As at 01 January 2003				
Originally Reported	54,000	1,309	909	56,218
Prior year adjustment			(124)	(124)
Restated	54,000	1,309	785	56,094
Issue of Share Capital	8,000	4,800	-	12,800
Shares Issue Expenses	-	(916)	-	(916)
Net Profit For The Period	-	-	8,065	8,065
<b>As At 31/12/2003</b>	<b>62,000</b>	<b>5,193</b>	<b>8,850</b>	<b>76,043</b>

### 12 Months Quarter Ended 31-Dec-02

At date of Incorporation	*			*
Issue of Ordinary Shares				
Allotment of Shares	500			500
Acquisition of Subsidiaries	52,649	2,632		55,281
Rights Issue	851			851
Shares Issue Expenses		(1,323)		(1,323)
Net Profit For The Period			785	785
<b>As At 31/12/2002</b>	<b>54,000</b>	<b>1,309</b>	<b>785</b>	<b>56,094</b>

\* Represented 2 original shares

*The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the period from 12 March 2002, the date of incorporation to 31 December 2002.*

**ORNAPAPER BERHAD (573695-W)**  
 UNAUDITED FINANCIAL RESULTS  
 FOR THE QUARTER ENDED 31 DECEMBER 2003

**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 the Kuala Lumpur Stock Exchange ("KLSE").

The interim financial statements should be read in conjunction with the audited financial statements for the period from 12 March 2002 the date of incorporation to 31 December 2002. 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 period ended 31 December 2002.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the financial statements for the period ended 31 December 2002 except for the adoption of MASB 25 to MASB 29, which became effective from 1 January 2003. The adoption of MASB 27 and MASB 29 has not given rise to any adjustments to the opening balances of retained profits of the prior year and the current period or to changes in comparatives. The changes and effects of adopting MASB 25 which resulted in a prior year adjustment are as follows:

**(a) Change in Accounting Policy**  
**MASB 25: Income Taxes**

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Group and the Company have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

**(b) Prior Year Adjustments**

The change in accounting policy has been applied retrospectively and comparatives have been restated. The effects of change in accounting policy are as follows:

	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Effects on Reserve on Consolidation</u></b>		
At 1 January, as previously stated	10,323	-
Arising during the period	-	10,323
Effects on adopting MASB 25	(5,570)	(5,570)
At 1 January, as restated	<u>4,753</u>	<u>4,753</u>
<b><u>Effects on Retained Profit</u></b>		
At 1 January, as previously stated	909	-
Arising during the period	-	909
Effects on adopting MASB 25	(124)	(124)
At 1 January, as restated	<u>785</u>	<u>785</u>
<b><u>Effects on Deferred Taxation</u></b>		
At 1 January, as previously stated	777	-
Arising during the period	-	777
Effects on adopting MASB 25	5,694	5,694
At 1 January, as restated	<u>6,471</u>	<u>6,471</u>

**EXPLANATORY NOTES**

**2 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the period ended 31 December 2002 was not qualified.

**3 Seasonal or Cyclical Factors of Operations**

The business operation for the year 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 year 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 year to date.

**7 Dividends paid**

No dividends was paid or declared during the current quarter and the current financial year to date.

**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.

**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 year 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 year.

**13 Related Company Transactions**

The related party transaction of the Group during the current quarter and financial year to date is as follows:

	Current Quarter RM'000	Year to date RM'000
<i>With a company in which Sai Chin Hock, a Director appointed on 23/06/2003, has interest:</i>		
<b><u>Perfect Food Manufacturing (M) Sdn. Bhd.</u></b>		
Sales of Corrugated Carton	451	845

The directors are of the opinion that the transactions above have been entered into in the normal course of business based on negotiated and mutually agreed terms.

**14 Review of Performance**

The Group registered a turnover of RM34.6 million which is approximately 9.7% higher than RM31.5 million of the immediate preceding quarter.

As a result of the increased in turnover, the Group registered a higher profit before tax of RM1.9 million as compared to RM1.8 million registered in the immediate preceding quarter.

**ORNAPAPER BERHAD (573695-W)**  
 UNAUDITED FINANCIAL RESULTS  
 FOR THE QUARTER ENDED 31 DECEMBER 2003

**EXPLANATORY NOTES**

**15 Comparison with immediate preceding quarter.**

The profit before tax of the Group increased to RM1.9 million from RM1.8 million compared to the previous quarter due to higher turnover which is in line with the improvement of Malaysia's economic conditions.

**16 Current Year Prospects**

The board expects the Group to continue to operate under an excess capacity business environment with intense price competition and rising raw material cost for the coming financial year ending 31 Dec 2004

**17 Profit Forecast**

A comparison between the forecasted profit (included in the Group's prospectus dated 24 December 2002) and the unaudited profit for the current financial year is as follows:

	Year to date		Variance RM'000
	Forecast RM'000	Unaudited RM'000	
Profit before taxation	17,215	9,594	7,621
Taxation	(4,626)	(1,529)	(3,097)
Profit after taxation	<b>12,589</b>	<b>8,065</b>	<b>4,524</b>

The deviation of profit after tax against forecasted profits was mainly due to lower profit margin as a result of:

	RM'000
Lower sales volume and selling price resulting from intense price competition.	3,510
Higher raw material cost	4,330
Others	(219)
	<u>7,621</u>
Tax effect at 28%	(2,134)
Overprovision of Taxation	(963)
	<u><u>4,524</u></u>

**18 Taxation**

	Current Quarter RM'000	Year to date RM'000
Income Tax		
- Current Quarter	169	747
- Under/(Over) provision in prior year		
Deferred Taxation	47	782
	<u>216</u>	<u>1,529</u>

**Effective Tax Rate**

Corporate Rate	28%	28%
Effective Tax Rate As Per PL	11%	16%
Variance	<u>17%</u>	<u>11%</u>

The effective tax rate for the quarter is lower than the statutory tax rate applicable to the Company's profits mainly due to utilisation of reinvestment allowances.

**ORNAPAPER BERHAD (573695-W)**  
UNAUDITED FINANCIAL RESULTS  
FOR THE QUARTER ENDED 31 DECEMBER 2003

**EXPLANATORY NOTES**

**19 Profit on sale of unquoted investments and properties**

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

**20 Purchase or disposal of Quoted Securities**

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

**21 Status of Corporate Proposals**

On 24/06/2003 and 01/8/2003, the Company announced that it is currently looking into setting up a corrugated carton and boards manufacturing plant in Vietnam. The cost of investment is estimated to be approximately RM17 million.

On 14/02/2004, the Company announced that People's Committee of Dong Nai Province has approved the incorporation of the investee company under the name of Ornapaper Vietnam Co. Ltd. ("ORNA(VT)"). ORNA(VT) will be a direct subsidiary of the Company upon completion of the proposed investment.

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.

**22 Company borrowings and Debt Securities**

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

	RM'000
<b><u>Current</u></b>	
Bank Overdrafts - secured	-
Trade Bills - secured	38,362
Hire Purchase Payables - secured	711
	<u>39,073</u>
<b><u>Non Current</u></b>	
Hire Purchase Payables - secured	2,356
	<u><u>41,429</u></u>

The borrowings are denominated in Ringgit Malaysia.

**23 Off Balance Sheet Financial Instruments**

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

**24 Changes in Material Litigation**

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

**25 Dividends**

No dividend has been recommended during the current quarter.



**ORNAPAPER BERHAD (573695-W)**  
UNAUDITED FINANCIAL RESULTS  
FOR THE QUARTER ENDED 31 DECEMBER 2003

**EXPLANATORY NOTES**

**26 Earnings per share**

The computation of earnings per share is as follows :-

	Current Quarter 31.12.03	Financial year to date 31.12.03
Issued ordinary sharers at beginning of period	62,000,000	54,000,000
<b><u>Effect of ordinary shares issued during the period</u></b>		
Public Issue	-	8,000,000
Issued ordinary shares at end of period	<u>62,000,000</u>	<u>62,000,000</u>
Weighted average number of ordinary shares	62,000,000	61,333,333
Net Profit	1,725,000	8,065,000
<b>Basic earnings per share ( sen )</b>	2.78	13.15

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

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

Melaka  
26-Feb-04