

# ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2004

	3 Months Ended		12 Months Ended	
	31-Dec-2004 ( RM'000 )	31-Dec-2003 ( RM'000 )	31-Dec-2004 ( RM'000 )	31-Dec-2003 ( RM'000 )
Revenue	39,911	34,599	135,839	122,829
Cost of Sales	(33,466)	(28,618)	(115,758)	(98,363)
Gross Profit	6,445	5,981	20,081	24,466
Other Operating Income	42	81	270	204
Operating Expenses	(6,070)	(3,767)	(16,784)	(13,441)
Profit from Operations	417	2,295	3,567	11,229
Interest Income	33	1	482	234
Finance Cost	(968)	(355)	(2,970)	(1,869)
(Loss) / Profit before Taxation and Minority Interest	(518)	1,941	1,079	9,594
Taxation	(577)	(216)	(728)	(1,529)
(Loss) / Profit after Taxation	(1,095)	1,725	351	8,065
Minority Interest	296	-	361	-
Net (Loss) / Profit for the period	<b>(799)</b>	<b>1,725</b>	<b>712</b>	<b>8,065</b>
(Loss) / Earnings per Share (Note 27)				
- Basic ( Sen )	(1.06)	2.78	1.07	13.15

*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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(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004

	As At 31-Dec-2004 RM'000	As At 31-Dec-2003 RM'000
<b><u>NON-CURRENT ASSETS</u></b>		
Property, Plant and Equipment	133,643	71,104
Other Investment	269	269
	<hr/> 133,912	<hr/> 71,373
<b><u>CURRENT ASSETS</u></b>		
Inventories	25,887	14,755
Trade Receivables	54,083	44,067
Other Receivables	4,501	4,300
Cash and Bank Balances	14,582	6,457
	<hr/> 99,053	<hr/> 69,579
<b><u>CURRENT LIABILITIES</u></b>		
Short Term Borrowings	66,205	39,073
Trade Payables	13,294	9,249
Other Payables	3,402	2,224
	<hr/> 82,901	<hr/> 50,546
<b>NET CURRENT ASSETS</b>	16,152	19,033
	<hr/> <b>150,064</b>	<hr/> <b>90,406</b>
<b><u>FINANCED BY:</u></b>		
Share Capital	75,251	62,000
Reserves	17,622	14,043
<b>Shareholders' Equity</b>	<hr/> 92,873	<hr/> 76,043
Reserve on Consolidation	3,182	4,754
	<hr/> 96,055	<hr/> 80,797
Minority Interests	13,896	-
	<hr/> 109,951	<hr/> 80,797
Long Term Borrowings	30,783	2,356
Deferred Taxation	9,330	7,253
<b>Non - Current Liabilities</b>	<hr/> 40,113	<hr/> 9,609
	<hr/> <b>150,064</b>	<hr/> <b>90,406</b>
Net Tangible Assets Per Share (RM)	1.28	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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(Incorporated in Malaysia)

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2004

	12 Months Ended	
	31-Dec-2004 <i>RM'000</i>	31-Dec-2003 <i>RM'000</i>
Net Cash Generated From / (Used In) Operating Activities	3,833	306
Net Cash Generated From / (Used In) Investing Activities	(35,034)	7,121
Net Cash Generated From / (Used In) Financing Activities	37,102	(1,847)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>5,901</u>	<u>5,580</u>
EFFECT OF EXCHANGE RATE CHANGES	4	
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,457	876
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><b>12,362</b></u>	<u><b>6,456</b></u>
Cash and cash equivalents comprise:		
Cash and bank balances	14,582	6,456
Bank Overdrafts	(2,220)	-
	<u><b>12,362</b></u>	<u><b>6,456</b></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

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### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2004

12 Months Ended 31-Dec-04	Share Capital	Non Distributable Share Premium	Non Distributable Foreign Exchange	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
Foreign Exchange Reserve			4		4
Net Profit For The Period				712	712
Dividends				(3,100)	(3,100)
At 31 Dec 2004	<b>75,251</b>	<b>11,156</b>	<b>4</b>	<b>6,462</b>	<b>92,873</b>

### 12 Months Ended 31-Dec-03

At 01 Jan 2003 Originally Reported	54,000	1,309		909	56,218
Prior Year Adjustment Restated	54,000	1,309		(124)	(124)
Issue of Share Capital	8,000	4,800		-	12,800
Shares Issue Expense	-	(916)		-	(916)
Net Profit For The Period	-	-		8,065	8,065
At 31 Dec 2003	<b>62,000</b>	<b>5,193</b>	<b>-</b>	<b>8,850</b>	<b>76,043</b>

*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 31 DECEMBER 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 the 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	12 Months Ended RM'000	3 Months Ended RM'000	12 Months Ended RM'000
Malaysia	39,911	135,839	126	1,867
Vietnam	-	-	(644)	(788)
	<b>39,911</b>	<b>135,839</b>	<b>(518)</b>	<b>1,079</b>

**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

**ORNAPAPER BERHAD (573695-W)**  
**UNAUDITED FINANCIAL RESULTS**  
**FOR THE QUARTER ENDED 31 DECEMBER 2004**

**EXPLANATORY NOTES**

**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 the investment in / acquisition of the following subsidiaries:

<b>No.</b>	<b>Name of Subsidiaries</b>	<b>Country of Incorporation</b>	<b>Equity Interest Held</b>	<b>Principal Activities</b>
1	Tripack Packaging (M) Sdn, Bhd.	Malaysia	100.00%	Manufacturing of Carton Boxes
2	Ornapaper Industry (Johor) Sdn. Bhd.	Malaysia	80.00%	Manufacturing of Carton Boxes
3	Ornapaper Industry (Perak) Sdn. Bhd.	Malaysia	100.00%	Manufacturing of Corrugated Board and Carton Boxes
4	Ornapaper Vietnam Co., Ltd.	Vietnam	55.00%	Manufacturing of Corrugated Board and Carton Boxes
5	Hello Paper Co., Ltd.	Republic of China	52.38%	Trading of Wrapping Paper Materials

**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 to RM68 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:

	<b>RM'000</b>	<b>Note</b>
<u>Contracted but not provided for:</u>		
Acquisition of property, plant and equipment	8,389	
	<b>8,389</b>	

**14 Related Company Transactions**

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

	<b>Current Quarter RM'000</b>	<b>12 Months Period RM'000</b>
<b><u>Sales of Carton Boxes</u></b>		
Perfect Food Manufacturing (M) Sdn. Bhd.	531	1,805
<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.	505	868
Poh Huat Woodwork (M) Sdn. Bhd.	34	64
<i>The above companies is one in which Tay Kim Huat, a Director and substantial shareholder of a foreign subsidiary has interest</i>		
<b>Total:</b>	<b>1,070</b>	<b>2,737</b>

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.

**ORNAPAPER BERHAD (573695-W)**  
**UNAUDITED FINANCIAL RESULTS**  
**FOR THE QUARTER ENDED 31 DECEMBER 2004**

**EXPLANATORY NOTES**

**15 Review of Performance**

The Group registered a turnover of RM39.9 million which is approximately 15.3% higher than RM34.6 million registered in the preceding year corresponding period.

Despite the increase in turnover, the Group registered a loss before tax and minority interest of RM0.52 million as compared to profit before tax of RM1.94 million of the preceding year corresponding period.

The losses were mainly attributable to higher raw material cost and operating cost, and losses incurred by a foreign subsidiary due to high initial start up cost during the reporting quarter.

**16 Comparison with immediate preceding quarter.**

For the current quarter under review, the Group incurred a loss before tax and minority interest of RM0.52 million as compared to profit before tax and minority interest of RM0.06 million registered in the previous quarter.

This was mainly attributable to losses incurred by a foreign subsidiary due to high initial start up cost 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	12 Months Period RM'000
Income Tax		
- Current Quarter	56	207
- Under/(Over) provision in prior year	(132)	(132)
Deferred Taxation	653	653
	577	728

**Effective Tax Rate**

Corporate Rate	28%	28%
Variance	-139%	39%
Effective Tax Rate As Per Income Statement	-111%	67%

The effective tax rate is higher than the statutory tax rate principally because the losses incurred by certain subsidiaries cannot be used to set off again the taxable profits earned by other 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 except for the following:

**ORNAPAPER BERHAD (573695-W)**  
**UNAUDITED FINANCIAL RESULTS**  
**FOR THE QUARTER ENDED 31 DECEMBER 2004**

**EXPLANATORY NOTES**

**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 the Securities Commission ("SC") for the acquisition of 100% equity interest in OISB(P) was that 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 i.e. from 28 June 2004. The Company has yet to obtain the said approval from the relevant authority as at todate..

**B) PROPOSED INVESTMENT IN TAIWAN**

On 18/06/2004, ORNA has announced that its wholly owned subsidiary, Ornapaper Industry (M) Sdn. Bhd. ("OISB(M)"), wish to incorporate a subsidiary in Republic of China ("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 and 22 February 2005, ORNA has announced that OISB(M) has incorporated a subsidiary in Republic of China, presently known as Hello Paper Co., Ltd. The authorised and issued share capital of the subsidiary stands at NTD5,250,000 divided into 525,000 shares of NTD10 each. OISB(M) subscribed for a 52.38% equity interest comprising 275,000 ordinary shares of NTD10 each in the subsidiary.

Bank Negara Malaysia has approved the above investment vide their letter dated 27/07/2004, 28/08/2004 and 14/12/2004.

**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:-

<b><u>Type of Borrowing</u></b>	<b><u>Total</u></b>	<b><u>Short Term</u></b>	<b><u>Long Term</u></b>
Bank Overdrafts - secured	2,220	2,220	-
Trade Bills - secured	61,260	61,260	-
Hire Purchase Payables - secured	9,350	2,452	6,898
Term Loan - Secured	24,158	273	23,885
	<b>96,988</b>	<b>66,205</b>	<b>30,783</b>

The borrowings are denominated in the following currencies:

	Equivalent (RM'000)
Ringgit Malaysia	67,444
United States Dollars	29,544
<b>Total Borrowings</b>	<b>96,988</b>

**24 Off Balance Sheet Financial Instruments**

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



**ORNAPAPER BERHAD (573695-W)**  
UNAUDITED FINANCIAL RESULTS  
FOR THE QUARTER ENDED 31 DECEMBER 2004

**EXPLANATORY NOTES**

**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	62,000,000
<b><u>Effect of ordinary shares issued during the period</u></b>		
Acquisition of Subsidiary		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	75,250,601	66,416,867
Net (Loss) / Profit	(799,000)	712,000
<b>Basic (loss) / earnings per share ( sen )</b>	(1.06)	1.07
<b>Diluted (loss) / earnings per share ( sen )</b>	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 February 2005

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

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

Melaka  
25-Feb-05