

# ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2005

	3 Months Ended		12 Months Ended	
	31-Dec-2005 ( RM'000 )	31-Dec-2004 ( RM'000 )	31-Dec-2005 ( RM'000 )	31-Dec-2004 ( RM'000 )
Revenue	51,100	39,911	180,011	135,839
Cost of Sales	(45,008)	(33,466)	(157,767)	(115,758)
Gross Profit	6,092	6,445	22,244	20,081
Other Operating Income	682	42	968	270
Operating Expenses	(7,997)	(6,070)	(27,782)	(16,784)
(Loss) / Profit from Operations	(1,223)	417	(4,570)	3,567
Interest Income	177	33	461	482
Finance Cost	(1,897)	(968)	(5,777)	(2,970)
(Loss) / Profit before Taxation and Minority Interest	(2,943)	(518)	(9,886)	1,079
Taxation	(291)	(577)	(615)	(728)
(Loss) / Profit after Taxation	(3,234)	(1,095)	(10,501)	351
Minority Interest	1,581	296	4,773	372
Net (Loss) / Profit for the period	<b>(1,653)</b>	<b>(799)</b>	<b>(5,728)</b>	<b>723</b>
(Loss) / Earnings per Share (Note 27)				
- Basic ( Sen )	(2.20)	0.15	(7.61)	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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# ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005

	As At 31-Dec-2005 RM'000	As At 31-Dec-2004 RM'000
<b><u>NON-CURRENT ASSETS</u></b>		
Property, Plant and Equipment	147,149	133,642
Other Investment	272	269
Deffered Tax Assets	95	157
	<u>147,516</u>	<u>134,068</u>
<b><u>CURRENT ASSETS</u></b>		
Inventories	24,713	25,887
Trade Receivables	73,295	54,083
Other Receivables	4,334	5,730
Cash and Bank Balances	6,534	14,582
	<u>108,876</u>	<u>100,282</u>
<b><u>CURRENT LIABILITIES</u></b>		
Short Term Borrowings	81,447	66,205
Trade Payables	21,607	13,294
Other Payables	7,171	4,630
	<u>110,225</u>	<u>84,129</u>
<b>NET CURRENT (LIABILITIES) ASSETS</b>	(1,349)	16,153
	<u><b>146,167</b></u>	<u><b>150,221</b></u>
<b><u>FINANCED BY:</u></b>		
Share Capital	75,251	75,251
Reserves	11,548	17,633
<b>Shareholders' Equity</b>	<u>86,799</u>	<u>92,884</u>
Reserve on Consolidation	3,182	3,182
	<u>89,981</u>	<u>96,066</u>
Minority Interests	12,286	13,885
	<u>102,267</u>	<u>109,951</u>
Long Term Borrowings	33,974	30,783
Deffered Tax Liabilities	9,926	9,487
<b>Non - Current Liabilities</b>	<u>43,900</u>	<u>40,270</u>
	<u><b>146,167</b></u>	<u><b>150,221</b></u>
Net Assets Per Share (RM)	1.36	1.46

*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*

**ORNAPAPER BERHAD**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2005**

	12 Months Ended	
	31-Dec-2005	31-Dec-2004
	RM'000	RM'000
Net Cash Generated From / (Used In) Operating Activities	(3,875)	3,833
Net Cash Generated From / (Used In) Investing Activities	(16,779)	(35,034)
Net Cash Generated From / (Used In) Financing Activities	12,699	37,102
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(7,955)</u>	<u>5,901</u>
EFFECT OF EXCHANGE RATE CHANGES	(1,835)	4
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	12,362	6,457
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>2,572</u></u>	<u><u>12,362</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	6,534	14,582
Bank Overdrafts	(3,962)	(2,220)
	<u><u>2,572</u></u>	<u><u>12,362</u></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**

(Company No.: 573695 W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 12 MONTHS PERIOD ENDED  
31 DECEMBER 2005**

<b>12 Months Ended 31-Dec-05</b>	<b>Share Capital</b>	<b>Non Distributable Share Premium</b>	<b>Non Distributable Foreign Exchange</b>	<b>Distributable Retained Profit</b>	<b>Total</b>
At 01 Jan 2005	75,251	11,156	4	6,473	92,884
Foreign Exchange Reserve			(357)		(357)
Net Loss For The Period				(5,728)	(5,728)
At 31 Dec 2005	<b>75,251</b>	<b>11,156</b>	<b>(353)</b>	<b>745</b>	<b>86,799</b>
<b>12 Months Ended 31-Dec-04</b>					
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
Foreign Exchange Reserve			4		4
Net Profit For The Period				723	723
Dividends				(3,100)	(3,100)
At 31 Dec 2004	<b>75,251</b>	<b>11,156</b>	<b>4</b>	<b>6,473</b>	<b>92,884</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 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	12 Months Ended RM'000	3 Months Ended RM'000	12 Months Ended RM'000
Malaysia	42,762	160,829	639	771
Vietnam	8,288	18,969	(3,378)	(10,382)
Republic of China	50	213	(204)	(275)
	<b>51,100</b>	<b>180,011</b>	<b>(2,943)</b>	<b>(9,886)</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

**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.

**ORNAPAPER BERHAD (573695-W)**  
**UNAUDITED FINANCIAL RESULTS**  
**FOR THE QUARTER ENDED 31 DECEMBER 2005**

**EXPLANATORY NOTES**

**13 Capital Commitments**

The following amount of capital expenditure not provided for in these interim financial statements are as follows:

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

**14 Related Company Transactions**

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

		Current Quarter RM'000	12 Months Period RM'000
<b>i</b>	<b><u>Purchase of Furniture</u></b>		
	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>		
	<b>Total:</b>	-	<b>96</b>
<b>ii</b>	<b><u>Sales of Carton Boxes</u></b>		
	Perfect Food Manufacturing (M) Sdn. Bhd.	466	1,707
	<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.	586	2,190
	Poh Huat Woodwork (M) Sdn. Bhd.	40	134
	Poh Huat Furniture Industries Vietnam Ltd.	758	2,071

*The above companies is one in which Tay Kim Huat, a Director and substantial shareholder of a foreign subsidiary has interest*

<b>Total:</b>	<b>1,850</b>	<b>6,102</b>
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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 RM51.1 million which is approximately 28% higher than RM40 million registered in the preceding year corresponding period primarily due to revenue generated by a foreign subsidiary.

Despite the increase in turnover, the Group registered a loss before tax and minority interest of RM2.9 million as compared to loss before tax of RM518,000 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 higher loss before tax and minority interest of RM2.9 million as compared to loss before tax and minority interest of RM2.7 million registered in the previous quarter.

This was mainly attributable to higher loss incurred by a foreign subsidiary.

**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 2006.

**18 Variance from Forecast Profit and Profit Guarantee**

Not Applicable

**ORNAPAPER BERHAD (573695-W)**  
**UNAUDITED FINANCIAL RESULTS**  
**FOR THE QUARTER ENDED 31 DECEMBER 2005**

**EXPLANATORY NOTES**

**19 Taxation**

	Current Quarter RM'000	12 Months Period RM'000
Income Tax		
- Current Quarter	(767)	139
- Under/(Over) provision in prior year		
Deferred Taxation	476	476
	291	615
	291	615

**Effective Tax Rate**

Corporate Rate	28%	28%
Variance	-38%	-34%
Effective Tax Rate as per Income Statement	-10%	-6%

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	3,962	3,962	-
Trade Bills - secured	66,381	66,381	-
Hire Purchase Payables - secured	13,630	3,740	9,890
Term Loan - Secured	31,448	7,364	24,084
	115,421	81,447	33,974
	115,421	81,447	33,974

The borrowings are denominated in the following currencies:

	Equivalent (RM'000)
Ringgit Malaysia	74,987
United States Dollars	40,434
<b>Total Borrowings</b>	<b>115,421</b>



**ORNAPAPER BERHAD (573695-W)**  
UNAUDITED FINANCIAL RESULTS  
FOR THE QUARTER ENDED 31 DECEMBER 2005

**EXPLANATORY NOTES**

**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	(1,653,000)	(5,728,000)
<b>Basic (loss) / earnings per share ( sen )</b>	(2.20)	(7.61)
<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 21st February 2006.

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

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

Melaka  
28-Feb-06