

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE 12 MONTHS PERIOD ENDED 31 DEC 2007**

	3 months ended		12 months ended	
	31-Dec-2007	31-Dec-2006	31-Dec-2007	31-Dec-2006
	RM'000	RM'000	RM'000	RM'000
Revenue	62,684	54,068	214,051	204,279
Cost of sales	(51,429)	(45,173)	(179,104)	(181,107)
Gross profit	11,255	8,895	34,947	23,172
Other income	1,436	334	2,208	3,996
Administrative and other expenses	(11,939)	(6,525)	(29,967)	(27,096)
Interest income	15	91	90	-
Finance cost	(1,614)	(2,168)	(7,018)	(6,749)
(Loss)/profit before taxation	(847)	627	260	(6,677)
Taxation	161	242	(124)	220
(Loss)/profit for the period	(686)	869	136	(6,457)
Attributable to:				
Equity holder of the parent	(374)	1,527	1,633	(3,084)
Minority interest	(312)	(658)	(1,497)	(3,373)
	(686)	869	136	(6,457)
Earning/(Loss) per share attributable to equity holders of parent:				
- Basic (Sen)	(0.50)	2.03	2.17	(4.10)
- Diluted (Sen)	(0.50)	2.03	2.17	(4.10)

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to these interim financial reports.

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	As At 31-Dec-2007 RM'000	As At 31-Dec-2006 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	116,585	118,861
Investment properties	409	418
Other investment	252	277
Deferred tax assets	429	91
Goodwill	1,633	1,633
Prepaid land lease payments	14,586	13,731
	<u>133,894</u>	<u>135,011</u>
Current Assets		
Inventories	34,835	23,958
Trade receivables	85,743	76,544
Other receivables	4,622	3,545
Cash and bank balances	5,630	6,353
Tax recoverable	1,421	1,585
	<u>132,251</u>	<u>111,985</u>
TOTAL ASSETS	<u><u>266,145</u></u>	<u><u>246,996</u></u>
EQUITY AND LIABILITIES		
Attributable to equity holders of parent		
Share capital	75,251	75,251
Share premium	11,156	11,156
Currency fluctuation reserve	(1,411)	(1,700)
Retained profits	10,112	8,447
	<u>95,108</u>	<u>93,154</u>
Minority Interests	6,237	7,735
Total Equity	<u><u>101,345</u></u>	<u><u>100,889</u></u>
Non-Current Liabilities		
Long term borrowings	15,255	24,125
Deffered tax liabilities	3,468	3,670
	<u>18,723</u>	<u>27,795</u>
Current Liabilities		
Short term borrowings	100,577	77,627
Trade payables	32,371	32,960
Other payables	13,129	7,707
Taxation	-	18
	<u>146,077</u>	<u>118,312</u>
Total Liabilities	<u><u>164,800</u></u>	<u><u>146,107</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>266,145</u></u>	<u><u>246,996</u></u>
Net assets per share attributable to equity holders of parent (RM)	<u><u>1.26</u></u>	<u><u>1.24</u></u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to these interim financial reports.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE 12 MONTHS PERIOD ENDED 31 DEC 2007**

	12 months ended	
	31-Dec-2007	31-Dec-2006
	RM'000	RM'000
Net cash (used in)/from operating activities	(6,040)	11,039
Net cash generated used in investing activities	(5,283)	(742)
Net cash generated from/(used in) financing activities	13,473	(21,845)
Net increase/(decrease) in cash and cash equivalents	<u>2,150</u>	<u>(11,548)</u>
Effect of foreign exchange	(1)	2,893
Cash and cash equivalents at beginning of period	(6,055)	2,600
Cash and cash equivalents at end of period	<u><u>(3,906)</u></u>	<u><u>(6,055)</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	5,630	6,352
Bank overdrafts	<u>(9,536)</u>	<u>(12,407)</u>
	<u><u>(3,906)</u></u>	<u><u>(6,055)</u></u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial reports.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 12 MONTHS PERIOD ENDED 31 DEC 2007**

	<----- Attributable to equity holders of parent ----->						
	Non Distributable			Distributable			
	Share capital	Share premium	Currency fluctuation reserve	Retained profits	Total	Minority interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2007							
- Previously reported	75,251	11,156	(1,700)	2,605	87,312	7,734	95,046
- Prior year adjustment [Note 3]	-	-	-	5,842	5,842	-	5,842
- Restated	75,251	11,156	(1,700)	8,447	93,154	7,734	100,888
Arising during the year	-	-	289	-	289	-	289
Net profit/(loss) for the period	-	-	-	1,633	1,633	(1,497)	136
Deferred tax recognised directly in equity	-	-	-	32	32	-	32
At 31 December 2007	75,251	11,156	(1,411)	10,112	95,108	6,237	101,345
At 1 January 2006							
- Previously reported	75,251	11,156	(479)	809	86,737	12,499	99,236
- Prior year adjustment [Note 3]	-	-	-	5,907	5,907	-	5,907
- Restated	75,251	11,156	(479)	6,716	92,644	12,499	105,143
- Effect of adopting FRS 3	-	-	-	4,815	4,815	-	4,815
Arising during the year	75,251	11,156	(479)	11,531	97,459	12,499	109,958
Net profit/(loss) for the period	-	-	(1,221)	-	(1,221)	(1,391)	(2,612)
At 31 December 2006	75,251	11,156	(1,700)	8,447	93,154	7,735	100,889

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial reports.

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EXPLANATORY NOTES TO INTERIM FINANCIAL REPORTS

1 BASIS OF PREPARATION

The interim financial reports have been prepared under the historical convention.

The interim financial reports are unaudited and have been prepared in compliance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The interim financial reports should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 December 2006. These explanatory notes attached to the interim financial reports 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 year ended 31 December 2006.

2 CHANGES IN ACCOUNTING POLICIES

The Malaysian Accounting Standards Board ("MASB") has issued the following new and revised Financial Reporting Standards ("FRSs") and amendments that became effective for the Group during the current financial period.

- (i) FRS 6 - Exploration for and Evaluation of Mineral Resources
- (ii) FRS 112 - Income Taxes #
- (iii) FRS 117 - Leases
- (iv) FRS 124 - Related Party Disclosures
- (v) Amendment to FRS 119 2004 - Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

This FRS was early adopted by the Group to be effective for this financial year.

The new and revised FRSs above do not have any other significant impact on the financial statements nor have they resulted in changes in accounting policies except as follows:

(a) FRS 112 - Income Taxes

The previous accounting policy prohibited the recognition of deferred tax on assets that qualify for re-investment or other similar allowances in excess of normal capital allowances. The adoption of the revised FRS 112 has resulted in a change in the accounting policy whereby deferred tax is to be recognised on such unused allowances to the extent that it is probable that future taxable profit will be available against which these unused allowances can be utilised.

The change in accounting policy has been applied retrospectively and certain comparative information has been restated as disclosed in Note 2(c). The effects on the financial statements for the current financial year are as follows:

	RM'000
Income Statement	
Increase in tax expense	815
Decrease in profit for the year	815
Decrease in profit attributable to equity holders	815
Balance sheet	
Decrease in deferred tax liability	5,027
Increase in retained profits	5,027

EXPLANATORY NOTES TO INTERIM FINANCIAL REPORTS

(b) FRS 117 - Leases

Under the previous policy, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses, if any. The adoption of the revised FRS 117 has resulted in a change in the accounting policy whereby leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The change in accounting policy has been applied retrospectively and as disclosed in Note 3, certain comparatives have been restated. There is no effect on the income statement for the current financial year. The effects on the balance sheet for the current financial year are as follows:

	As at 31-Dec-07 RM'000
Balance sheet	
Decrease in property, plant and equipment	(14,586)
Increase in prepaid land lease payments	<u>14,586</u>

3 COMPARATIVES

The following comparative amounts have been restated as a result of the adoption of new FRSs and revised FRSs:

	As at 31-Dec-06 As reported RM'000	Effect of FRS 112 RM'000	Effect of FRS 117 RM'000	As at 31-Dec-06 As restated RM'000
Income statement				
Tax income	285	(65)	-	220
Loss for the year	6,392	65	-	6,457
Loss for the year attributable to equity holders of the Company	<u>3,019</u>	<u>65</u>	<u>-</u>	<u>3,084</u>
Balance sheet				
Property, plant and equipment	132,592	-	(13,731)	118,861
Prepaid land lease payments	-	-	13,731	13,731
Deferred tax liability	9,512	(5,842)	-	3,670
Retained profits:				-
As at 1 January 2006	809	5,907	-	6,716
As at 31 December 2006	<u>2,605</u>	<u>5,842</u>	<u>-</u>	<u>8,447</u>

EXPLANATORY NOTES TO INTERIM FINANCIAL REPORTS

	As at 31-Dec-06 As reported	Effect of FRS 112	Effect of FRS 117	As at 31-Dec-06 As restated
Others				
Amounts attributable to equity holders of the parent:				
- Basic earnings/(loss) per share (Sen)	4.01	0.09	-	4.10
- Diluted earnings/(loss) per share (Sen)	4.01	0.09	-	4.10
- Net assets per share (RM)	1.16	0.08	-	1.24

4 AUDITORS' REPORT ON PRECEEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2006 was not qualified.

5 SEGMENTAL REPORTING

	Revenue		Profit / (Loss) Before Tax	
	3 months ended 31 Dec 07 RM'000	12 months ended 31 Dec 07 RM'000	3 months ended 31 Dec 07 RM'000	12 months ended 31 Dec 07 RM'000
	By Geographical Location			
Malaysia	47,138	162,332	(151)	3,561
Vietnam	15,546	51,719	(696)	(3,301)
	62,684	214,051	(847)	260

6 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There are no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 31 December 2007 except as disclosed in Note 2.

7 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.

8 SEASONAL OR CYCLICAL FACTORS OF OPERATIONS

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

9 DIVIDENDS PAID

No dividends were paid during the current quarter and the financial year.

10 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

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EXPLANATORY NOTES TO INTERIM FINANCIAL REPORTS**11 DEBT 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.

12 CHANGES IN COMPOSITION OF GROUP

There were no changes in the composition of the Group for the current quarter and the current financial period to date.

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	506
Non-Cancellable Operating Leases	689
	<u>1,195</u>

14 CHANGES IN CONTINGENT LIABILITIES AND 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 RM123 million given by the Company to financial institutions for credit facilities granted to subsidiaries.

15 MATERIAL EVENTS SUBSEQUENT TO END OF 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 except as reported under paragraph 21.

16 RELATED PARTY TRANSACTIONS

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

	3 months ended		12 months ended	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
	RM'000	RM'000	RM'000	RM'000
Sales of Carton Boxes				
Perfect Food Manufacturing (M)				
(M) Sdn. Bhd. *	503	533	1,743	2002
Poh Huat Furniture Industries	863	579	3,740	2932
(M) Sdn. Bhd. ^				
Poh Huat Woodwork (M) Sdn. Bhd. ^	-	0	2	42
Poh Huat Furniture Industries	759	966	3,382	3057
Vietnam Ltd. ^				
Ornapaper Industry (Penang) Sdn Bhd #	424		1,846	
	<u>2,549</u>	<u>2,078</u>	<u>10,713</u>	<u>8,033</u>

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EXPLANATORY NOTES TO INTERIM FINANCIAL REPORTS

* Company in which Sai Chin Hock a former director (resigned on 1 September 2004), has interest

^ Companies in which Tay Kim Huat, a Director and substantial shareholder of a foreign subsidiary has interest

Company is in which a substantial shareholder of 25% equity is related to Lim Tau Lih, a director of the Company

The transactions above has were based on negotiated and mutually agreed terms.

17 REVIEW OF PERFORMANCE

The Group registered a turnover of RM214 million for the year which is approximately 5% higher than the preceding year's due to both higher volume and selling prices.

The Group was close to break even as compared to loss after tax for the year of RM6.4 million as compared to the preceding year. This was due to improved production efficiencies and better sales prices and improved performance of subsidiary in Vietnam.

18 COMPARISON WITH IMMEDIATE PRECEDING QUARTER

For current quarter, the Group registered a loss after tax of RM849,000 as compared to profit after tax of RM934,000 registered in the previous quarter.

19 CURRENT YEAR'S PROSPECTS

The industry's excess capacity and competitive business environment continues to remain. The Group expects to out-perform the previous year in view of the improved operational efficiency.

20 VARIANCE FROM FORECAST PROFITS OR PROFIT GUARANTEES

Not Applicable

21 TAXATION

	3 Months Ended		12 Months Ended	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
	RM'000	RM'000	RM'000	RM'000
Current tax:	(389)	(242)	(674)	(91)
Deferred tax:	550		550	311
	<u>161</u>	<u>(242)</u>	<u>(124)</u>	<u>220</u>

The effective tax rate for the current period to-date is higher than the statutory tax rate principally because:

- (i) certain expenses are not allowed deductible for tax purposes; and
- (ii) losses incurred by certain subsidiaries were not offsetted against the profits generated by other subsidiaries for group loss relief purposes.

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EXPLANATORY NOTES TO INTERIM FINANCIAL REPORTS**22 PROFIT FROM SALE OF UNQUOTED INVESTMENTS AND PROPERTIES**

The Company announced the disposal of its subsidiary company Ornapaper Vietnam Co. Ltd for USD2.64 million (RM8.22 million at USD1=RM3.31)

The disposal has been approved by the members at an extra-ordinary general meeting convened on 31 January 2008 and the results of the disposal is dependent upon the completion date of the disposal.

The shareholders' fund of the subsidiary company being disposed as at 31 December 2007 is:

	RM'000
Shareholders' fund	13,364
Less: Minority Interests	<u>(6,314)</u>
Attributable to the Group	<u><u>7,050</u></u>

23 PURCHASE OR DISPOSALS OF QUOTED SECURITIES

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

24 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.

25 COMPANY BORROWINGS AND DEBT SECURITIES

The Company does not have or issue any debt securities during the quarter period.

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

Type of Borrowing	Total RM'000	Short Term RM'000	Long Term RM'000
Bank Overdrafts - secured	9,536	9,536	-
Trade Bills - secured	77,923	77,923	-
Hire Purchase Payables - secured	8,566	4,629	3,937
Term Loan - Secured	19,807	8,489	11,318
	<u>115,832</u>	<u>100,577</u>	<u>15,255</u>

The borrowings are denominated in the following currencies:

	Equivalent (RM'000)
Ringgit Malaysia	94,243
United States Dollars	15,849
Vietnam Dong	<u>5,740</u>
Total Borrowings	<u><u>115,832</u></u>

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EXPLANATORY NOTES TO INTERIM FINANCIAL REPORTS

26 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

27 CHANGES IN MATERIAL LITIGATION

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

28 DIVIDEND PROPOSED

The Directors propose a first and final dividend to be paid in respect of the financial year ended 31 December 2007 as follows:

	Net dividend per share Sen	Amount RM'000
1% tax exempt dividend	1.00	753

This dividend is subject to shareholders' approval at the forthcoming annual general meeting.

29 EARNINGS/(LOSS) PER SHARE

Earnings per share amounts are calculated by dividing profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period:

	3 Months Ended		12 Months Ended	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
Issued ordinary sharers at the beginning and end of period	75,251	75,251	75,251	75,251
Weighted average number of shares ('000)	75,251	75,251	75,251	75,251
Net Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000)	(374)	1,527	1,633	(3,084)
Basic (loss)/earnings per share (Sen)	(0.50)	2.03	2.17	(4.10)
Diluted (loss)/earnings per share (Sen)	(0.50)	2.03	2.17	(4.10)

30 AUTHORITY FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26th February 2008.

By Order of the Board