

ORNAPAPER BERHAD
 (Company No.: 573695 W)
 (Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE 12-MONTH PERIOD ENDED 31 DEC 2010**

	Note	3 months ended		12 months ended	
		31-Dec-2010 RM'000	31-Dec-2009 RM'000	31-Dec-2010 RM'000	31-Dec-2009 RM'000
Continuing operations					
Revenue	3	56,310	46,659	216,655	156,461
Cost of sales		(47,645)	(38,803)	(181,914)	(125,768)
Gross profit		8,665	7,856	34,741	30,693
Other items of income					
- Interest income		1	2	3	8
- Other income		571	(4)	1,104	659
Other items of expense					
- Administrative and other expenses		(7,549)	(7,024)	(25,860)	(22,158)
- Finance costs		(749)	(810)	(3,137)	(3,044)
Profit from continuing operations, before tax	3	939	20	6,851	6,158
Income tax expense	17	(1,328)	(273)	(2,195)	(1,352)
Profit from continuing operations, net of tax		(389)	(253)	4,656	4,806
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		(389)	(253)	4,656	4,806
Profit attributable to:					
Owners of the parent		(330)	(334)	4,585	4,605
Minority interests		(59)	81	71	201
		(389)	(253)	4,656	4,806
Total comprehensive income attributable to:					
Owners of the parent		(330)	(321)	4,585	4,605
Minority interests		(59)	68	71	201
		(389)	(253)	4,656	4,806
Earnings per share attributable to owners of the parent (sen per share):					
- Basic	25	(0.44)	(0.44)	6.09	6.12
- Diluted	25	(0.44)	(0.44)	6.09	6.12

The Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to these interim financial reports.

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STATEMENTS OF FINANCIAL POSITION AS AT 31 DEC 2010

	Note	As At 31-Dec-2010 RM'000	As At 31-Dec-2009 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		86,193	83,418
Prepaid land lease payment		3,693	3,804
Other investment		243	254
Goodwill		1,633	1,633
		<u>91,762</u>	<u>89,109</u>
Current assets			
Inventories		23,656	23,134
Trade receivables		55,162	61,161
Other receivables		7,094	3,523
Fixed deposit		232	227
Cash and bank balances		12,315	13,338
Tax recoverable		599	537
		<u>99,058</u>	<u>101,920</u>
TOTAL ASSETS		<u>190,820</u>	<u>191,029</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		75,251	75,251
Share premium		11,156	11,156
Retained earnings		15,353	13,208
		<u>101,760</u>	<u>99,615</u>
Minority Interests		607	536
TOTAL EQUITY		<u>102,367</u>	<u>100,151</u>
Current liabilities			
Loans and borrowings	21	53,775	59,910
Trade payables		18,241	15,701
Other payables		7,021	5,717
Income tax payable		313	297
		<u>79,350</u>	<u>81,625</u>
Non-current liabilities			
Loans and borrowings	21	6,164	6,140
Deffered tax liabilities		2,939	3,113
		<u>9,103</u>	<u>9,253</u>
TOTAL LIABILITIES		<u>88,453</u>	<u>90,878</u>
TOTAL EQUITY AND LIABILITIES		<u>190,820</u>	<u>191,029</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>1.35</u>	<u>1.32</u>

The Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to these interim financial reports.

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STATEMENTS OF CASH FLOWS
FOR THE 12-MONTH PERIOD ENDED 31 DEC 2010

	12 months ended	
	31-Dec-2010	31-Dec-2009
	RM'000	RM'000
Net cash (used in)/generated from operating activities	14,827	15,966
Net cash used in investing activities	(8,713)	(2,808)
Net cash used in financing activities	(5,002)	(3,952)
Net (decrease)/increase in cash and cash equivalents	1,112	9,206
Cash and cash equivalents at beginning of period	8,349	(857)
Cash and cash equivalents at end of period	9,461	8,349
Cash and cash equivalents comprise:		
Cash and bank balances	12,315	13,338
Fixed deposits	232	227
Bank overdrafts	(3,086)	(5,216)
	9,461	8,349

The Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial reports.

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**STATEMENTS OF CHANGES IN EQUITY
 FOR THE 12-MONTH PERIOD ENDED 31 DEC 2010**

	<----- Attributable to owners of the parent ----->					
	Share capital RM'000	Non- Distributable Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total Equity RM'000
Period ended 31 Dec 2010						
As at 1 Jan 2010	75,251	11,156	13,208	99,615	536	100,151
Adjustments arising from adoption of FRS 139 [Note 2.1]:						
- Quoted securities categorised fair value through profit or loss (FVPL)	-	-	(10)	(10)	-	(10)
- Impairment of loans and receivables (LAR)	-	-	(3,240)	(3,240)	-	(3,240)
- Deferred tax effect			810	810	-	810
	75,251	11,156	10,768	97,175	536	97,711
Total comprehensive income for the period	-	-	4,585	4,585	71	4,656
As at 31 Dec 2010	75,251	11,156	15,353	101,760	607	102,367
Period ended 31 Dec 2009						
As at 1 Jan 2009	75,251	11,156	9,356	95,763	335	96,098
Dividend paid			(753)	(753)	-	(753)
Total comprehensive income for the period	-	-	4,605	4,605	201	4,806
As at 31 Dec 2009	75,251	11,156	13,208	99,615	536	100,151

The Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial reports.

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 explanatory notes attached to the interim financial reports which 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 previous quarter.

2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim financial statements are consistent with those of the previous financial year except as described below.

On 1 January 2010, the Group adopted, where applicable, the following new and amended FRS and IC Interpretations which became mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 7 Financial Instruments: Disclosures
- FRS 8 Operating Segments
- FRS 101 Presentation of Financial Statements (Revised)
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 132 Financial Instruments: Presentation
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvements to FRS issued in 2009
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14 FRS119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- FRS 4 Insurance Contracts
- TR i-3 Presentation of Financial Statements of Islamic Financial Institutions

The adoption of the above FRS, amendments and interpretations has no significant financial impact to the Group except as follows:

FRS 139 Financial Instruments : Recognition and Measurement

	RM'000
Fair value adjustment on quoted shares	10
Impairment of loans and receivable	3,240
Deferred tax effect	(810)
	<hr/> <hr/> 2,440

The above amounts have been adjusted against opening retained profits as at 1 January 2010.

Improvements to FRS issued in 2009 : FRS 117 leases

Certain leasehold lands with substantially long lease terms have been reclassified as finance leases and their amounts have been reclassified retrospectively and certain comparative figures restated as follows:

	Property, plant and equipment RM '000	Prepaid land lease payments RM '000
Previously reported	73,045	14,177
Reclassification from prepaid land lease payment to property, plant and equipment	10,373	(10,373)
Re-stated	<u>83,418</u>	<u>3,804</u>

3 SEGMENTAL REPORTING

	Revenue		Profit before tax	
	12 months ended 31 Dec 10 RM'000	12 months ended 31 Dec 09 RM'000	12 months ended 31 Dec 10 RM'000	12 months ended 31 Dec 09 RM'000
	By Geographical Location			
Malaysia	216,655	156,461	6,851	6,158
	<u>216,655</u>	<u>156,461</u>	<u>6,851</u>	<u>6,158</u>

4 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial period to-date except for those arising from adoptions of FRS 139 & improvements to FRS 117.

5 CHANGES IN ESTIMATES

There were no changes in accounting estimates of amounts that have had a material effect in the current financial period to-date.

6 SEASONAL OR CYCLICAL FACTORS OF OPERATIONS

The business operations for the financial period to-date were not affected by seasonal or cyclical factors.

7 DIVIDENDS PAID

No dividends were paid during the current financial period to-date.

8 DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayment of debts and equity securities for the current financial period to-date.

9 CHANGES IN COMPOSITION OF GROUP

There were no changes in the composition of the Group for the financial period to-date except for the acquisition of a wholly owned subsidiary, namely, Quantum Rhythm Sdn Bhd on March 2010 for a cash consideration of RM2. There was no material effect on the Group's financial results and financial position arising from the said acquisition.

10 CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There was no material changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2009.

11 MATERIAL EVENTS SUBSEQUENT TO END OF INTERIM PERIOD

There were no material events subsequent to the end of interim financial period.

12 RELATED PARTY TRANSACTIONS

Recurring related party transactions of the group during the financial quarter and the financial period to-date are as follows:

	3 months ended		12 months ended	
	31 Dec 2010 RM'000	31 Dec 2009 RM'000	31 Dec 2010 RM'000	31 Dec 2009 RM'000
Sales of carton boxes				
Perfect Food Manufacturing (M) Sdn. Bhd. *	717	487	2,400	1,699
Ornapaper Industry (Penang) Sdn Bhd #	-	15		51
Greatbrand Food Industries Sdn Bhd *	127	-	501	-
	<u>844</u>	<u>502</u>	<u>2,901</u>	<u>1,750</u>

* Company in which Sai Chin Hock, a director and substantial shareholder, has interest

With effect from 16 October 2009, transactions with this company are no longer regarded as related party transactions.

The transactions above were based on negotiated and mutually agreed terms and has been approved by the shareholders in the previous Annual General Meeting.

13 REVIEW OF PERFORMANCE

During the quarter under review, the revenue of the Group increased by 21%, as compared to the corresponding comparative quarter due to higher sales volume resulted from good performance by marketing department. Despite the increase in turnover, the Group registered a higher net loss mainly due to allowance for impairment loss on receivables amounting to RM716 thousand and bad debts written off of RM597 thousand.

14 COMPARISON WITH IMMEDIATE PRECEDING QUARTER

The group registered a pre-tax profit of RM939 thousand for the quarter ended 31 Dec 2010 as compared to RM3,049 million in immediate preceding quarter. The significant decrease in pre-tax profit were mainly due to the following reasons : -

- Derease in turnover by 5%.
- Allowance for Impairment losses on trade & other receivable of RM716 thousand.
- Bad debts written off of RM597 thousand .

15 CURRENT YEAR'S PROSPECTS

The Group expects the business performance to be challenging for the next financial year.

16 VARIANCE FROM FORECAST PROFITS OR PROFIT GUARANTEES

Not applicable

17 TAXATION

	3 Months Ended 31 Dec		12 Months Ended 30 Dec	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax	(692)	(194)	(1,559)	(1,314)
Deferred tax	(636)	(79)	(636)	(38)
	<u>(1,328)</u>	<u>(273)</u>	<u>(2,195)</u>	<u>(1,352)</u>

18 PROFIT/(LOSS) FROM SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no disposal of any investments in any unquoted investments and/or properties during the financial financial quarter under review.

19 PURCHASE OR DISPOSALS OF QUOTED SECURITIES

There were no purchases or disposal of quoted securities for the current financial quarter under review.

20 STATUS OF CORPORATE PROPOSALS

As of the date of this report, there were no corporate proposals announced.

21 COMPANY BORROWINGS AND DEBT SECURITIES

The Company does not have or issue any debt securities during the financial quarter. The borrowings of the Company as at the end of the current financial quarter were as follows:-

Type of Borrowing	Total RM'000	Short Term RM'000	Long Term RM'000
Bank Overdrafts - secured	3,086	3,086	-
Trade Bills - secured	48,162	48,162	-
Hire Purchase Payables - secured	5,467	1,849	3,618
Term Loan - Secured	3,224	678	2,546
	<u>59,939</u>	<u>53,775</u>	<u>6,164</u>

22 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

23 CHANGES IN MATERIAL LITIGATION

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

24 DIVIDEND PROPOSED

Not applicable.

25 EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing profit 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 31 Dec		12 Months Ended 31 Dec	
	2010	2009	2010	2009
Issued ordinary sharers at the beginning and end of period	<u>75,251</u>	<u>75,251</u>	<u>75,251</u>	<u>75,251</u>
Weighted average number of shares ('000)	<u>75,251</u>	<u>75,251</u>	<u>75,251</u>	<u>75,251</u>
Net profit attributable to ordinary equity holders of the parent (RM'000)	<u>(330)</u>	<u>(334)</u>	<u>4,585</u>	<u>4,605</u>
Basic earnings/(loss) per share (Sen)	<u>(0.44)</u>	<u>(0.44)</u>	<u>6.09</u>	<u>6.12</u>
Diluted earnings/(loss) per share (Sen)	<u>(0.44)</u>	<u>(0.44)</u>	<u>6.09</u>	<u>6.12</u>

26 DISCLOSURE OF REALISED AND UNREALISED PROFITS / LOSSES

Total retained profits / (accumulated losses) of Ornapaper Berhad and it's subsidiaries :

	As At 31 Dec 2011	As At 30 Sep 2011
	RM'000	RM'000
- Realised	55,360	56,262
- Unrealised	<u>(4,959)</u>	<u>(5,058)</u>
	50,401	51,204
Less : Consolidated adjustment	<u>(35,048)</u>	<u>(35,107)</u>
Total Group retained profits / (accumulated losses) as per consolidated accounts	<u>15,353</u>	<u>16,097</u>

27 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 24 Feb 2011.