

**ORNAPAPER BERHAD**

(Company No.: 573695 W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2008**

	3 months ended		12 months ended	
	31-Dec-2008	31-Dec-2007	31-Dec-2008	31-Dec-2007
	RM'000	RM'000	RM'000	RM'000
Revenue	37,244	62,684	217,133	214,051
Cost of sales	(31,110)	(51,429)	(182,219)	(179,104)
Gross profit	<u>6,134</u>	<u>11,255</u>	<u>34,914</u>	<u>34,947</u>
Other income	170	1,436	1,155	2,208
Administrative and other expenses	(6,786)	(11,939)	(25,867)	(29,967)
Interest income	7	15	42	90
Finance cost	(1,115)	(1,614)	(5,306)	(7,018)
(Loss)/profit before taxation	<u>(1,590)</u>	<u>(847)</u>	<u>4,938</u>	<u>260</u>
Taxation	(453)	161	(623)	(124)
(Loss)/profit for the period	<u>(2,043)</u>	<u>(686)</u>	<u>4,315</u>	<u>136</u>
Attributable to:				
Equity holder of the parent	(2,053)	(374)	2,825	1,633
Minority interest	10	(312)	1,490	(1,497)
	<u>(2,043)</u>	<u>(686)</u>	<u>4,315</u>	<u>136</u>
Earning per share attributable to equity holders of parent:				
- Basic (Sen)	(2.73)	(0.50)	3.75	2.17
- Diluted (Sen)	<u>(2.73)</u>	<u>(0.50)</u>	<u>3.75</u>	<u>2.17</u>

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 2008**

	<b>As At 31-Dec-2008 RM'000</b>	<b>As At 31-Dec-2007 RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	72,564	116,585
Investment properties	-	409
Other investment	244	252
Deferred tax assets	238	429
Prepaid land lease payment	14,420	14,586
Goodwill	1,633	1,633
	<u>89,099</u>	<u>133,894</u>
<b>Current Assets</b>		
Inventories	21,674	34,835
Trade receivables	56,752	85,743
Other receivables	3,597	4,622
Fixed deposit	219	-
Cash and bank balances	4,716	5,630
Tax recoverable	471	1,421
	<u>87,429</u>	<u>132,251</u>
<b>TOTAL ASSETS</b>	<u><u>176,528</u></u>	<u><u>266,145</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Attributable to equity holders of parent</b>		
Share capital	75,251	75,251
Share premium	11,156	11,156
Currency fluctuation reserve	-	(1,411)
Retained profits	9,488	10,112
	<u>95,895</u>	<u>95,108</u>
<b>Minority Interests</b>	335	6,237
<b>Total Equity</b>	<u>96,230</u>	<u>101,345</u>
<b>Non-Current Liabilities</b>		
Long term borrowings	5,768	15,255
Deferred tax liabilities	3,180	3,468
	<u>8,948</u>	<u>18,723</u>
<b>Current Liabilities</b>		
Short term borrowings	60,450	100,577
Trade payables	4,986	32,371
Other payables	5,570	13,129
Taxation	344	-
	<u>71,350</u>	<u>146,077</u>
<b>Total Liabilities</b>	<u>80,298</u>	<u>164,800</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>176,528</u></u>	<u><u>266,145</u></u>
Net assets per share attributable to equity holders of parent (RM)	<u>1.27</u>	<u>1.26</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.

**ORNAPAPER BERHAD**

(Company No.: 573695 W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2008**

	12 months ended	
	31-Dec-2008	31-Dec-2007
	RM'000	RM'000
Net cash (used in)/from operating activities	33,879	(6,040)
Net cash generated used in investing activities	(4,324)	(5,283)
Net cash generated from/(used in) financing activities	(24,092)	13,473
Net increase/(decrease) in cash and cash equivalents	<u>5,463</u>	<u>2,150</u>
Effect of foreign exchange	-	(1)
Cash and cash equivalents at beginning of period	(6,400)	(6,055)
Cash and cash equivalents at end of period	<u><u>(937)</u></u>	<u><u>(3,906)</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	4,716	5,630
Fixed deposits	219	-
Bank overdrafts	<u>(5,872)</u>	<u>(9,536)</u>
	<u><u>(937)</u></u>	<u><u>(3,906)</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.

**ORNAPAPER BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2008**

	<----- Attributable to equity holders of parent ----->						
	Non Distributable			Distributable			
	Share capital RM'000	Share premium RM'000	Currency fluctuation reserve RM'000	Retained profits RM'000	Total RM'000	Minority interest RM'000	Total Equity RM'000
<b>At 1 January 2008</b>	75,251	11,156	(2,017)	9,932	94,322	6,090	100,412
Arising during the year	-	-	(499)	-	(499)	-	(499)
dividend paid	-	-	-	(753)	(753)	-	(753)
Realisation upon disposal of subsidiary during the year	-	-	2,516	(2,516)	-	(7,245)	(7,245)
Net profit/(loss) for the period	-	-	-	2,825	2,825	1,490	4,315
<b>At 31 Dec 2008</b>	<u>75,251</u>	<u>11,156</u>	<u>-</u>	<u>9,488</u>	<u>95,895</u>	<u>335</u>	<u>96,230</u>
<b>At 1 January 2007</b>	75,251	11,156	(1,700)	8,447	93,154	7,734	100,888
Currency Fluctuation Reserve 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
<b>At 31 Dec 2007</b>	<u>75,251</u>	<u>11,156</u>	<u>(1,411)</u>	<u>10,112</u>	<u>95,108</u>	<u>6,237</u>	<u>101,345</u>

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.

**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 2007. 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 2007.

**2 CHANGES IN ACCOUNTING POLICIES**

During the financial quarter, there were no changes in accounting policies arising from revised FRS amendment & interpretation which became effective during the financial year.

- FRS 107: Cash Flow Statements
- FRS 111: Construction Contracts
- FRS 118: Revenue
- FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
- FRS 134: Interim Financial Reporting
- FRS 137: Provisions, Contingent Liabilities and Contingent Assets
- Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
- IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
- IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- IC Interpretation 7: Applying the Restatement Approach under FRS 129/2004 Financial Reporting in Hyperinflationary Economies
- IC Interpretation 8: Scope of FRS 2

The following new FRS and Interpretations were issued but not yet effective and have not been applied by the Group:

- FRS 7: Financial Instruments: Disclosures
- FRS 8: Operating Segments
- FRS 139: Financial Instruments: Recognition and Measurement
- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139. The other new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

**3 SEGMENTAL REPORTING**

	Revenue		Profit / (Loss) Before Tax	
	3 months ended 31 Dec 08 RM'000	12 months ended 31 Dec 08 RM'000	3 months ended 31 Dec 08 RM'000	12 months ended 31 Dec 08 RM'000
<b>By Geographical Location</b>				
Malaysia	37,244	191,321	(1,590)	1,925
Vietnam	-	25,812	-	3,013
	37,244	217,133	(1,590)	4,938

**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 quarter.

**5 CHANGES IN ESTIMATES**

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

**EXPLANATORY NOTES TO INTERIM FINANCIAL REPORTS**

**6 SEASONAL OR CYCLICAL FACTORS OF OPERATIONS**

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

**7 DIVIDENDS PAID**

No dividends were paid during the current financial quarter.

**8 DEBT AND EQUITY SECURITIES**

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

**9 CHANGES IN COMPOSITION OF GROUP**

There were no changes in the composition of the Group for the current financial quarter.

**10 CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There was no material changes in contingent liabilities or contingent assets for the current financial quarter.

**11 MATERIAL EVENTS SUBSEQUENT TO END OF INTERIM PERIOD**

There are no events subsequent to the end of interim period.

**12 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 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
	RM'000	RM'000	RM'000	RM'000
<b>Sales of Carton Boxes</b>				
Perfect Food Manufacturing (M)				
(M) Sdn. Bhd. *	246	503	1,748	1,743
Poh Huat Furniture Industries	N/A	863	N/A	3,740
(M) Sdn. Bhd. ^				
Poh Huat Woodwork (M) Sdn. Bhd. ^	N/A	-	N/A	2
Poh Huat Furniture Industries	N/A	759	N/A	3,382
Vietnam Ltd. ^				
Ornapaper Industry (Penang) Sdn Bhd #	273	424	1,389	1,846
	<u>519</u>	<u>2,549</u>	<u>3,137</u>	<u>10,713</u>

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

^ Companies in which Tay Kim Huat, a Director and substantial shareholder of a foreign subsidiary has interest. However, Mr Tay Kim Huat ceased to be a Director of the foreign subsidiary company at the beginning of current quarter.

# Company is in which a substantial shareholder of 5% equity is related to Lim Tau Lih, a director of the Company

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

**EXPLANATORY NOTES TO INTERIM FINANCIAL REPORTS**

**13 REVIEW OF PERFORMANCE**

The current financial quarter performance has been affected by the adverse development in world and local economy which resulted in drastic drop in market demand.

**14 COMPARISON WITH IMMEDIATE PRECEDING QUARTER**

The Group registered a turnover of RM37 million for the current financial quarter which is approximately 41% lower than the preceding year's quarter which included a foreign subsidiary's turnover.

The Group incurred loss before tax of RM1.6 million as compared to loss before tax of RM0.8 the preceding year's quarter. For the current quarter, there is a provision of bad debts amounting to RM1.9 million which in light of current adverse business environment, the Board now consider doubtful of collection.

**15 CURRENT YEAR'S PROSPECTS**

The on going downsizing of businesses worldwide will severely impact the local economy by causing demand contraction and resulting in lower pricing and profit margin. The revision in electricity tariff and cost of fuel will lighten the impact marginally.

**16 VARIANCE FROM FORECAST PROFITS OR PROFIT GUARANTEES**

Not Applicable

**17 TAXATION**

	3 Months Ended		12 Months Ended	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
	RM'000	RM'000	RM'000	RM'000
Current tax:	(746)	(389)	(916)	(674)
Deferred tax:	293	550	293	550
	<u>(453)</u>	<u>161</u>	<u>(623)</u>	<u>(124)</u>

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

The Group disposed of an investment property at a gain of RM17,684.

**19 PURCHASE OR DISPOSALS OF QUOTED SECURITIES**

There were no purchase and sale of quoted securities during the current financial quarter.

**20 STATUS OF CORPORATE PROPOSALS**

There are no pending corporate proposals.

**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	5,872	5,872	-
Trade Bills - secured	51,063	51,063	-
Hire Purchase Payables - secured	5,855	2,941	2,914
Term Loan - Secured	3,428	574	2,854
	<u>66,218</u>	<u>60,450</u>	<u>5,768</u>

**EXPLANATORY NOTES TO INTERIM FINANCIAL REPORTS**

**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**

None

**25 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:

	<b>3 Months Ended</b>		<b>12 Months Ended</b>	
	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
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)	(2,053)	(374)	2,825	1,633
Basic earnings/(loss) per share (Sen)	(2.73)	(0.50)	3.75	2.17
Diluted earnings/(loss) per share (Sen)	(2.73)	(0.50)	3.75	2.17

**26 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 16 February 2009 .

**By Order of the Board**