

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

**CONDENSED CONSOLIDATED INCOME STATEMENTS
 FOR THE 3 MONTHS PERIOD ENDED 31 MAR 2010**

	3 months ended		3 months ended	
	31-Mar-2010 RM'000	31-Mar-2009 RM'000	31-Mar-2010 RM'000	31-Mar-2009 RM'000
Revenue	46,681	31,339	46,681	31,339
Cost of sales	(39,410)	(24,500)	(39,410)	(24,500)
Gross profit	<u>7,271</u>	<u>6,839</u>	<u>7,271</u>	<u>6,839</u>
Other income	168	303	168	303
Administrative and other expenses	(6,265)	(4,435)	(6,265)	(4,435)
Interest income	-	6	-	6
Finance cost	(782)	(854)	(782)	(854)
Profit before taxation	<u>392</u>	<u>1,859</u>	<u>392</u>	<u>1,859</u>
Taxation		(249)	-	(249)
Profit for the period from continuing operations	<u>392</u>	<u>1,610</u>	<u>392</u>	<u>1,610</u>
Profit for the period from discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>392</u></u>	<u><u>1,610</u></u>	<u><u>392</u></u>	<u><u>1,610</u></u>
Attributable to:				
Equity holder of the parent	365	1,573	365	1,573
Minority interest	27	37	27	37
	<u><u>392</u></u>	<u><u>1,610</u></u>	<u><u>392</u></u>	<u><u>1,610</u></u>
Earning per share attributable to equity holders of parent:				
- Basic (Sen)	0.49	2.09	0.49	2.09
- Diluted (Sen)	<u>0.49</u>	<u>2.09</u>	<u>0.49</u>	<u>2.09</u>

The condensed consolidated income statement 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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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MAR 2010

	As At 31-Mar-2010 RM'000	As At 31-Dec-2009 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	71,934	73,045
Prepaid land lease payment	14,124	14,177
Other investment	244	254
Goodwill	1,633	1,633
	<u>87,935</u>	<u>89,109</u>
Current Assets		
Inventories	25,313	23,134
Trade receivables	59,995	61,161
Other receivables	4,428	3,523
Fixed deposit	228	227
Cash and bank balances	7,418	13,338
Tax recoverable	693	537
	<u>98,075</u>	<u>101,920</u>
TOTAL ASSETS	<u>186,010</u>	<u>191,029</u>
EQUITY AND LIABILITIES		
Attributable to equity holders of parent		
Share capital	75,251	75,251
Share premium	11,156	11,156
Retained profits	11,548	13,208
	<u>97,955</u>	<u>99,615</u>
Minority Interests	<u>563</u>	<u>536</u>
Total Equity	<u>98,518</u>	<u>100,151</u>
Non-Current Liabilities		
Long term borrowings	5,814	6,140
Deffered tax liabilities	3,113	3,113
	<u>8,927</u>	<u>9,253</u>
Current Liabilities		
Short term borrowings	63,046	59,910
Trade payables	9,503	15,701
Other payables	5,904	5,717
Taxation	112	297
	<u>78,565</u>	<u>81,625</u>
Total Liabilities	<u>87,492</u>	<u>90,878</u>
TOTAL EQUITY AND LIABILITIES	<u>186,010</u>	<u>191,029</u>
Net assets per share attributable to equity holders of parent (RM)	<u>1.30</u>	<u>1.32</u>

The condensed consolidated balance sheet 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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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE 3 MONTHS PERIOD ENDED 31 MAR 2010**

	3 months ended	
	31-Mar-2010	31-Mar-2009
	RM'000	RM'000
Net cash (used in)/from operating activities	(8,229)	10,298
Net cash generated used in investing activities	(500)	(9)
Net cash generated from/(used in) financing activities	722	(10,655)
Net increase/(decrease) in cash and cash equivalents	<u>(8,007)</u>	<u>(366)</u>
Cash and cash equivalents at beginning of period	8,349	(857)
Cash and cash equivalents at end of period	<u><u>342</u></u>	<u><u>(1,223)</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	7,418	6,643
Fixed deposits	228	223
Bank overdrafts	<u>(7,304)</u>	<u>(8,089)</u>
	<u><u>342</u></u>	<u><u>(1,223)</u></u>

The condensed consolidated cash flow statement 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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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE 3 MONTHS PERIOD ENDED 31 MAR 2010**

	<----- Attributable to equity holders of parent ----->					
	Share capital RM'000	Non Distributable Share premium RM'000	Distributable Retained profits RM'000	Total RM'000	Minority interest RM'000	Total Equity RM'000
At 1 January 2010	75,251	11,156	13,208	99,615	536	100,151
Adjustment arising from adoption of FRS 139 in respect of :						
Quoted securities categorised as fair value through profit or loss (FVPL)			(10)	(10)		(10)
Impairment of loan & receivable (LAR)			(2,015)	(2,015)		(2,015)
	75,251	11,156	11,183	97,590	536	98,126
Dividend paid	-	-	-	-	-	-
Net profit/(loss) for the period	-	-	365	365	27	392
At 31 Mar 2010	<u>75,251</u>	<u>11,156</u>	<u>11,548</u>	<u>97,955</u>	<u>563</u>	<u>98,518</u>
At 1 January 2009	75,251	11,156	9,356	95,763	335	96,098
Dividend paid	-	-	(753)	(753)	-	(753)
Net profit/(loss) for the period	-	-	4,605	4,605	201	4,806
At 31 Dec 2009	<u>75,251</u>	<u>11,156</u>	<u>13,208</u>	<u>99,615</u>	<u>536</u>	<u>100,151</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 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 previous quarter.

2 CHANGES IN ACCOUNTING POLICIES

The Group had adopted :

- FRS 4: Insurance Contracts
- 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
- Amendments to FRS 2: Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement
- Amendments to FRS 7: Financial Instruments: Disclosures
- Amendments to FRSs 'Improvements to FRSs (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: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- TR i – 3: Presentation of Financial Statements of Islamic Financial Institutions

Unless otherwise described below, the above changes have no significant impact to the financial statements of the Group :

FRS 8: Operating Segment

FRS 8 replaces FRS 114 2004 : Segment Reporting and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income.

The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group had adopted the "one single statement approach. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

FRS 7: Financial Instruments: Disclosures, FRS 139: Financial Instruments: Recognition and Measurement, Amendments to FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's exposure to risks, enhanced disclosure regarding components of the Group and the Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

The adjustments arising from the adoption of these standards have been adjusted against the opening retained profits as at 1 January 2010 in accordance with the respective transitional provisions.

Amendments to FRSs 'Improvements to FRSs (2009)'

FRS 117 Leases: Clarifies on the classification of leases of land and buildings. The Group has assessed the potential implication as a result of the reclassification of its unexpired land leases as operating or finance leases. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings. This amendment has no impact on the financial position and results of the Group and the Company.

FRS 140 Investment Property: Property under construction or development for future use as an investment property is classified as investment property. Where the fair value model is applied, such property is measured at fair value. If fair value cannot be reliably

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determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. The Company has previously accounted for such assets using the cost model. The amendment also includes changes in terminology in the Standard to be consistent with FRS 108. The change will be applied prospectively. There is no impact to the financial position of the Group.

The Group has yet to adopt :

Effective for financial periods beginning on or after 1 March 2010

- Amendments to FRS 132 Financial Instruments: Presentation - Classification of Rights Issues

Effective for financial periods beginning on or after 1 July 2010

- FRS 1: First-time Adoption of Financial Reporting Standards

- FRS 3: Business Combinations (revised)

- FRS 127: Consolidated and Separate Financial Statements (amended)

- Amendments to FRS 2: Share-based Payment

- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations

- Amendments to FRS 138: Intangible Assets

- IC Interpretation 12: Service Concession Arrangements

- IC Interpretation 15: Agreements for the Construction of Real Estate

- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation

- IC Interpretation 17: Distributions of Non-cash Assets to Owners

- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives

Effective for financial periods beginning on or after 1 January 2011

- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

- Amendments to FRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

3 SEGMENTAL REPORTING

	Revenue		Profit / (Loss) Before Tax	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 Mar 10	31 Mar 09	31 Mar 10	31 Mar 09
By Geographical Location	RM'000	RM'000	RM'000	RM'000
Malaysia	46,681	31,339	392	1,859
	46,681	31,339	392	1,859

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.

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 except for the acquisition of a dormant subsidiary company.

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		3 months ended	
	31 Mar 2010	31 Mar 2009	31 Mar 2010	31 Mar 2009
	RM'000	RM'000	RM'000	RM'000
Sales of Carton Boxes				
Perfect Food Manufacturing (M) Sdn. Bhd. *	403	456	403	456
Ornapaper Industry (Penang) Sdn Bhd #	-	22	-	22
Greatbrand Food Industries Sdn. Bhd. *	91	-	91	-
	<u>494</u>	<u>478</u>	<u>494</u>	<u>478</u>

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

With effect from 16.10.2009, transactions with the company is 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

2010Q1 gross profit margin is 16% compared to 2009Q1's 22%. The gross margin is affected by increased paper costs.

14 COMPARISON WITH IMMEDIATE PRECEDING QUARTER

The volume is only marginally lower than 2009Q4 Gross Profit is 16% (Q4:16%, 2008Q3: 15%).

15 CURRENT YEAR'S PROSPECTS

The Group is in a strong position to maintain its current share of corrugating packaging markets as observed from 2010Q1 turnover. Current year's results will be satisfactory provided the industry environment allows for Group to recoup increased paper costs from customers. On the basis that the pressure of paper costs increase has receded, and on the basis of seasonal increase towards 2010 Q2 and Q3, the Group would be able to maintain satisfactory results as with 2009.

16 VARIANCE FROM FORECAST PROFITS OR PROFIT GUARANTEES

Not Applicable

17 TAXATION

	3 Months Ended 31 Mar		3 Months Ended 31 Mar	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current tax:	-	(290)	-	(290)
Deferred tax:	-	41	-	41
	<u>-</u>	<u>(249)</u>	<u>-</u>	<u>(249)</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 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	7,304	7,304	-
Trade Bills - secured	53,170	53,170	-
Hire Purchase Payables - secured	5,617	2,180	3,437
Term Loan - Secured	2,769	392	2,377
	68,860	63,046	5,814

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

Nil

25 EARNINGS 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 31 Mar		3 Months Ended 31 Mar	
	2010	2009	2010	2009
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)	365	1,573	365	1,573
Basic earnings/(loss) per share (Sen)	0.49	2.09	0.49	2.09
Diluted earnings/(loss) per share (Sen)	0.49	2.09	0.49	2.09

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 19 May 2010.