

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

**STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2010**

| | Note | 3 months ended | | 6 months ended | |
|---|------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 30-Jun-2010 RM'000 | 30-Jun-2009 RM'000 | 30-Jun-2010 RM'000 | 30-Jun-2009 RM'000 |
| Continuing operations | | | | | |
| Revenue | 3 | 54,525 | 37,120 | 101,206 | 68,459 |
| Cost of sales | | (45,350) | (29,658) | (84,760) | (54,158) |
| Gross profit | | 9,175 | 7,462 | 16,446 | 14,301 |
| Other items of income | | | | | |
| - Interest income | | - | - | - | 6 |
| - Other income | | 131 | 94 | 299 | 397 |
| Other items of expense | | | | | |
| - Administrative and other expenses | | (6,000) | (4,818) | (12,265) | (9,253) |
| - Finance costs | | (835) | (681) | (1,617) | (1,535) |
| Profit from continuing operations, before tax | 3 | 2,471 | 2,057 | 2,863 | 3,916 |
| Income tax expense | 17 | (560) | (186) | (560) | (435) |
| Profit from continuing operations, net of tax | | 1,911 | 1,871 | 2,303 | 3,481 |
| Other comprehensive income, net of tax | | - | - | - | - |
| Total comprehensive income for the period | | 1,911 | 1,871 | 2,303 | 3,481 |
| Profit attributable to: | | | | | |
| Owners of the parent | | 1,872 | 1,810 | 2,237 | 3,383 |
| Minority interests | | 39 | 61 | 66 | 98 |
| | | 1,911 | 1,871 | 2,303 | 3,481 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 1,860 | 1,810 | 2,225 | 3,383 |
| Minority interests | | 51 | 61 | 78 | 98 |
| | | 1,911 | 1,871 | 2,303 | 3,481 |
| Earnings per share attributable to owners of the parent (sen per share): | | | | | |
| - Basic | 25 | 2.49 | 2.41 | 2.97 | 4.50 |
| - Diluted | 25 | 2.49 | 2.41 | 2.97 | 4.50 |

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.

ORNAPAPER BERHAD
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STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2010

| | Note | As At 30-Jun-2010 RM'000 | As At 31-Dec-2009 RM'000 (Restated) |
|--|------|--------------------------------|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 82,736 | 83,418 |
| Prepaid land lease payment | | 3,765 | 3,804 |
| Other investment | | 244 | 254 |
| Goodwill | | 1,633 | 1,633 |
| | | <u>88,378</u> | <u>89,109</u> |
| Current assets | | | |
| Inventories | | 27,369 | 23,134 |
| Trade receivables | | 56,358 | 61,161 |
| Other receivables | | 6,348 | 3,523 |
| Fixed deposit | | 229 | 227 |
| Cash and bank balances | | 7,987 | 13,338 |
| Tax recoverable | | 660 | 537 |
| | | <u>98,951</u> | <u>101,920</u> |
| TOTAL ASSETS | | <u>187,329</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 | | 13,420 | 13,208 |
| | | <u>99,827</u> | <u>99,615</u> |
| Minority Interests | | <u>602</u> | <u>536</u> |
| TOTAL EQUITY | | <u>100,429</u> | <u>100,151</u> |
| Current liabilities | | | |
| Loans and borrowings | 21 | 58,673 | 59,910 |
| Trade payables | | 14,078 | 15,701 |
| Other payables | | 5,327 | 5,717 |
| Income tax payable | | 379 | 297 |
| | | <u>78,457</u> | <u>81,625</u> |
| Non-current liabilities | | | |
| Loans and borrowings | 21 | 5,330 | 6,140 |
| Deferred tax liabilities | | 3,113 | 3,113 |
| | | <u>8,443</u> | <u>9,253</u> |
| TOTAL LIABILITIES | | <u>86,900</u> | <u>90,878</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>187,329</u> | <u>191,029</u> |
| NET ASSETS PER SHARE | | | |
| Attributable to owners of the parent (RM) | | <u>1.33</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.

ORNAPAPER BERHAD
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**STATEMENTS OF CASH FLOWS
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2010**

| | 6 months ended | |
|--|----------------|-------------|
| | 30-Jun-2010 | 30-Jun-2009 |
| | RM'000 | RM'000 |
| Net cash (used in)/generated from operating activities | (671) | 18,325 |
| Net cash used in investing activities | (2,631) | (865) |
| Net cash used in financing activities | (3,571) | (12,572) |
| Net (decrease)/increase in cash and cash equivalents | (6,873) | 4,888 |
| Cash and cash equivalents at beginning of period | 8,349 | (857) |
| Cash and cash equivalents at end of period | 1,476 | 4,031 |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 7,987 | 10,548 |
| Fixed deposits | 229 | 224 |
| Bank overdrafts | (6,740) | (6,741) |
| | 1,476 | 4,031 |

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.

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

**STATEMENTS OF CHANGES IN EQUITY
 FOR THE 6-MONTH PERIOD ENDED 30 JUNE 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 30 June 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) | - | - | (2,015) | (2,015) | - | (2,015) |
| | <u>75,251</u> | <u>11,156</u> | <u>11,183</u> | <u>97,590</u> | <u>536</u> | <u>98,126</u> |
| Total comprehensive income for the period | - | - | 2,237 | 2,237 | 66 | 2,303 |
| As at 30 June 2010 | <u>75,251</u> | <u>11,156</u> | <u>13,420</u> | <u>99,827</u> | <u>602</u> | <u>100,429</u> |
| Period ended 30 June 2009 | | | | | | |
| As at 1 Jan 2009 | 75,251 | 11,156 | 9,356 | 95,763 | 335 | 96,098 |
| Total comprehensive income for the period | - | - | 3,383 | 3,383 | 98 | 3,481 |
| As at 30 June 2009 | <u>75,251</u> | <u>11,156</u> | <u>12,739</u> | <u>99,146</u> | <u>433</u> | <u>99,579</u> |

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 follows:

2.1 New Pronouncements

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 | 2,015 |
| | <u>2,025</u> |

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 | <u>10,373</u> | <u>(10,373)</u> |
| Re-stated | <u>83,418</u> | <u>3,804</u> |

2.2 Pronouncements issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

| <i>Name of pronouncement</i> | <i>Effective for annual periods beginning on or after</i> |
|---|---|
| FRS 1 First-time Adoption of Financial Reporting Standards | 01-Jul-10 |
| FRS 3 Business Combinations (revised) | 01-Jul-10 |
| Amendments to FRS 2 Share-based Payment | 01-Jul-10 |
| Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations | 01-Jul-10 |
| Amendments to FRS 127 Consolidated and Separate Financial Statements | 01-Jul-10 |
| Amendments to FRS 138 Intangible Assets | 01-Jul-10 |
| Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives | 01-Jul-10 |
| IC Interpretation 12 Service Concession Arrangements | 01-Jul-10 |
| IC Interpretation 15 Agreements for the Construction of Real Estate | 01-Jul-10 |
| IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation | 01-Jul-10 |
| IC Interpretation 17 Distributions of Non-cash Assets to Owners | 01-Jul-10 |
| Amendments to FRS 132 : Classification of Rights Issue | 01-Mar-10 |
| Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for | 01-Jan-11 |
| Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions | 01-Jan-11 |
| Amendments to FRS 7: Improving Disclosures about Financial Instruments | 01-Jan-11 |

| | |
|--|-----------|
| IC Interpretation 4: Determining whether an Arrangement contains a Lease | 01-Jan-11 |
| IC Interpretation 18: Transfers of Assets from Customers | 01-Jan-11 |
| TR i - 3: Guidance on Disclosures of Transition to IFRSs | 01-Jan-11 |
| TR i - 4: Shariah Compliant Sale Contracts | 01-Jan-11 |

The adoption of the above pronouncements is not expected to significantly impact the financial the financial results and financial position of the Group in their initial period of application.

3 SEGMENTAL REPORTING

| By Geographical Location | Revenue | | Profit before tax | |
|--------------------------|----------------|----------------|-------------------|----------------|
| | 6 months ended | 6 months ended | 6 months ended | 6 months ended |
| | 30 June 10 | 30 June 09 | 30 June 10 | 30 June 09 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysia | 101,206 | 68,459 | 2,863 | 3,916 |
| | 101,206 | 68,459 | 2,863 | 3,916 |

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.

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 operation 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 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 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 | | 6 months ended | |
|--|----------------|--------------|----------------|--------------|
| | 30 June 2010 | 30 June 2009 | 30 June 2010 | 30 June 2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Sales of carton boxes | | | | |
| Perfect Food Manufacturing (M) Sdn. Bhd. * | 644 | 356 | 1,047 | 812 |
| Ornapaper Industry (Penang) Sdn Bhd # | - | (5) | - | 17 |
| Greatbrand Food Industries Sdn. | 167 | - | 258 | - |
| | <u>811</u> | <u>351</u> | <u>1,305</u> | <u>829</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 and pre-tax profit of the Group increased by 47% and 20% respectively, compared to the corresponding comparative quarter. The increase in revenue is mainly due to higher selling prices and increased demand for corrugated cartons.

The Group's lower pre-tax profit growth is principally attributed to higher raw material costs.

14 COMPARISON WITH IMMEDIATE PRECEDING QUARTER

The pre-tax profit of the Group improved from RM392,000 in the immediate preceding quarter to RM2,471,000 during the current quarter under review. The improved result mainly resulted from effective implementation of costs control measures and higher turnover.

15 CURRENT YEAR'S PROSPECTS

The Group expects the business performance to be challenging for the financial year ending 31 Dec 2010.

16 VARIANCE FROM FORECAST PROFITS OR PROFIT GUARANTEES

Not applicable

17 TAXATION

| | 3 Months Ended 30 June | | 6 Months Ended 30 June | |
|--------------|------------------------|--------------|------------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax | (560) | (186) | (560) | (476) |
| Deferred tax | - | - | - | 41 |
| | <u>(560)</u> | <u>(186)</u> | <u>(560)</u> | <u>(435)</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 | 6,740 | 6,740 | - |
| Trade Bills - secured | 49,731 | 49,731 | - |
| Hire Purchase Payables - secured | 4,893 | 1,788 | 3,105 |
| Term Loan - Secured | 2,639 | 414 | 2,225 |
| | <u>64,003</u> | <u>58,673</u> | <u>5,330</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 30 June | | 6 Months Ended 30 June | |
|---|-------------------------------|---------------|-------------------------------|---------------|
| | 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>1,872</u> | <u>1,810</u> | <u>2,237</u> | <u>3,383</u> |
| Basic earnings/(loss) per share (Sen) | <u>2.49</u> | <u>2.41</u> | <u>2.97</u> | <u>4.50</u> |
| Diluted earnings/(loss) per share (Sen) | <u>2.49</u> | <u>2.41</u> | <u>2.97</u> | <u>4.50</u> |

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 27th August 2010.