

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

**STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE 9-MONTH PERIOD ENDED 30 SEP 2010**

	Note	3 months ended		9 months ended	
		30-Sep-2010 RM'000	30-Sep-2009 RM'000	30-Sep-2010 RM'000	30-Sep-2009 RM'000
<b>Continuing operations</b>					
Revenue	3	59,139	41,343	160,345	109,802
Cost of sales		(49,509)	(32,807)	(134,269)	(86,965)
Gross profit		9,630	8,536	26,076	22,837
Other items of income					
- Interest income		2	-	2	6
- Other income		234	266	533	663
Other items of expense					
- Administrative and other expenses		(6,046)	(5,881)	(18,311)	(15,134)
- Finance costs		(771)	(699)	(2,388)	(2,234)
Profit from continuing operations, before tax	3	3,049	2,222	5,912	6,138
Income tax expense	17	(307)	(644)	(867)	(1,079)
Profit from continuing operations, net of tax		2,742	1,578	5,045	5,059
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		2,742	1,578	5,045	5,059
<b>Profit attributable to:</b>					
Owners of the parent		2,678	1,556	4,915	4,939
Minority interests		64	22	130	120
		2,742	1,578	5,045	5,059
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		2,678	1,556	4,915	4,939
Minority interests		64	22	130	120
		2,742	1,578	5,045	5,059
<b>Earnings per share attributable to owners of the parent (sen per share):</b>					
- Basic	25	3.56	2.07	6.53	6.56
- Diluted	25	3.56	2.07	6.53	6.56

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 30 SEP 2010**

	Note	As At 30-Sep-2010 RM'000	As At 31-Dec-2009 RM'000 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		84,337	83,418
Prepaid land lease payment		3,746	3,804
Other investment		244	254
Goodwill		1,633	1,633
		<u>89,960</u>	<u>89,109</u>
<b>Current assets</b>			
Inventories		25,061	23,134
Trade receivables		61,060	61,161
Other receivables		4,524	3,523
Fixed deposit		231	227
Cash and bank balances		10,424	13,338
Tax recoverable		521	537
		<u>101,821</u>	<u>101,920</u>
<b>TOTAL ASSETS</b>		<u>191,781</u>	<u>191,029</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		75,251	75,251
Share premium		11,156	11,156
Retained earnings		16,098	13,208
		<u>102,505</u>	<u>99,615</u>
<b>Minority Interests</b>		<u>666</u>	<u>536</u>
<b>TOTAL EQUITY</b>		<u>103,171</u>	<u>100,151</u>
<b>Current liabilities</b>			
Loans and borrowings	21	53,210	59,910
Trade payables		19,578	15,701
Other payables		6,675	5,717
Income tax payable		12	297
		<u>79,475</u>	<u>81,625</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	6,022	6,140
Deffered tax liabilities		3,113	3,113
		<u>9,135</u>	<u>9,253</u>
<b>TOTAL LIABILITIES</b>		<u>88,610</u>	<u>90,878</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>191,781</u>	<u>191,029</u>
<b>NET ASSETS PER SHARE</b>			
Attributable to owners of the parent (RM)		<u>1.36</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 9-MONTH PERIOD ENDED 30 SEP 2010**

	9 months ended	
	30-Sep-2010 RM'000	30-Sep-2009 RM'000
Net cash (used in)/generated from operating activities	9,783	19,573
Net cash used in investing activities	(5,875)	(4,822)
Net cash used in financing activities	(5,396)	(6,138)
Net (decrease)/increase in cash and cash equivalents	(1,488)	8,613
Cash and cash equivalents at beginning of period	8,349	(857)
Cash and cash equivalents at end of period	6,861	7,756
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	10,424	14,441
Fixed deposits	231	225
Bank overdrafts	(3,794)	(6,910)
	6,861	7,756

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 9-MONTH PERIOD ENDED 30 SEP 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
<b>Period ended 30 Sep 2010</b>						
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	-	-	4,915	4,915	130	5,045
As at 30 Sep 2010	<u>75,251</u>	<u>11,156</u>	<u>16,098</u>	<u>102,505</u>	<u>666</u>	<u>103,171</u>
<b>Period ended 30 Sep 2009</b>						
As at 1 Jan 2009	75,251	11,156	9,356	95,763	335	96,098
Total comprehensive income for the period	-	-	4,939	4,939	120	5,059
As at 30 Sep 2009	<u>75,251</u>	<u>11,156</u>	<u>14,295</u>	<u>100,702</u>	<u>455</u>	<u>101,157</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	10,373	(10,373)
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 First-time Adopters	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
Amendments to FRS 1: Additional Exemptions for First-time Adopters	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

	Revenue		Profit before tax	
	3 months ended 30 Sep 10 RM'000	9 months ended 30 Sep 09 RM'000	3 months ended 30 Sep 10 RM'000	3 months ended 30 Sep 09 RM'000
By Geographical Location				
Malaysia	160,345	109,802	5,912	6,138
	160,345	109,802	5,912	6,138

### 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 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 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		9 months ended	
	30 Sep 2010	30 Sep 2009	30 Sep 2010	30 Sep 2009
	RM'000	RM'000	RM'000	RM'000
<b>Sales of carton boxes</b>				
Perfect Food Manufacturing (M) Sdn. Bhd. *	636	400	1,683	1,212
Ornapaper Industry (Penang) Sdn Bhd #	-	19	-	36
Greatbrand Food Industries Sdn.	116	-	374	-
	<u>752</u>	<u>419</u>	<u>2,057</u>	<u>1,248</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 43% and 50% respectively, compared to the corresponding comparative quarter. The increase in revenue is mainly resulted from higher sales volume due to strong demand for corrugated cartons under improved economic environment.

### 14 COMPARISON WITH IMMEDIATE PRECEDING QUARTER

The group registered a pre-tax profit of RM3,349 million for the quarter ended 30 Sep 2010 as compared to RM2,471 million in the immediate preceding quarter. The improved result is mainly due to higher turnover achieved during the quarter under review.

### 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 Sep		9 Months Ended 30 Sep	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current tax	(307)	(644)	(867)	(1,120)
Deferred tax	-	-	-	41
	<u>(307)</u>	<u>(644)</u>	<u>(867)</u>	<u>(1,079)</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	3,794	3,794	-
Trade Bills - secured	47,067	47,067	-
Hire Purchase Payables - secured	5,857	1,933	3,924
Term Loan - Secured	2,514	416	2,098
	<u>59,232</u>	<u>53,210</u>	<u>6,022</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 Sep		9 Months Ended 30 Sep	
	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>2,678</u>	<u>1,556</u>	<u>4,915</u>	<u>4,939</u>
Basic earnings/(loss) per share (Sen)	<u>3.56</u>	<u>2.07</u>	<u>6.53</u>	<u>6.56</u>
Diluted earnings/(loss) per share (Sen)	<u>3.56</u>	<u>2.07</u>	<u>6.53</u>	<u>6.56</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 19 November 2010.