

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

**STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE 3-MONTH PERIOD ENDED 31 MAR 2011**

| | Note | 3 months ended | | 3 months ended | |
|---|------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 31-Mar-2011 RM'000 | 31-Mar-2010 RM'000 | 31-Mar-2011 RM'000 | 31-Mar-2010 RM'000 |
| Continuing operations | | | | | |
| Revenue | 3 | 57,402 | 46,681 | 57,402 | 46,681 |
| Cost of sales | | (47,949) | (39,410) | (47,949) | (39,410) |
| Gross profit | | 9,453 | 7,271 | 9,453 | 7,271 |
| Other items of income | | | | | |
| - Interest income | | 1 | 1 | 1 | 1 |
| - Other income | | 176 | 167 | 176 | 167 |
| Other items of expense | | | | | |
| - Administrative and other expenses | | (6,804) | (6,265) | (6,804) | (6,265) |
| - Finance costs | | (769) | (782) | (769) | (782) |
| Profit from continuing operations, before tax | 3 | 2,057 | 392 | 2,057 | 392 |
| Income tax expense | 17 | (500) | - | (500) | - |
| Profit from continuing operations, net of tax | | 1,557 | 392 | 1,557 | 392 |
| Other comprehensive income, net of tax | | - | - | - | - |
| Total comprehensive income for the period | | 1,557 | 392 | 1,557 | 392 |
| Profit attributable to: | | | | | |
| Owners of the parent | | 1,519 | 365 | 1,519 | 365 |
| Minority interests | | 38 | 27 | 38 | 27 |
| | | 1,557 | 392 | 1,557 | 392 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 1,519 | 365 | 1,519 | 365 |
| Minority interests | | 38 | 27 | 38 | 27 |
| | | 1,557 | 392 | 1,557 | 392 |
| Earnings per share attributable to owners of the parent (sen per share): | | | | | |
| - Basic | 25 | 2.02 | 0.49 | 2.02 | 0.49 |
| - Diluted | 25 | 2.02 | 0.49 | 2.02 | 0.49 |

The Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to these interim financial reports.

ORNAPAPER BERHAD
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STATEMENTS OF FINANCIAL POSITION AS AT 31 MAR 2011

| | Note | As At 31-Mar-2011 RM'000 | As At 31-Dec-2010 RM'000 |
|--|------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 86,970 | 86,194 |
| Prepaid land lease payment | | 3,674 | 3,726 |
| Other investment | | 243 | 244 |
| Goodwill | | 1,633 | 1,633 |
| | | <u>92,520</u> | <u>91,797</u> |
| Current assets | | | |
| Inventories | | 25,849 | 23,655 |
| Trade receivables | | 56,119 | 54,039 |
| Other receivables | | 6,379 | 4,635 |
| Fixed deposit | | 234 | 232 |
| Cash and bank balances | | 11,335 | 12,313 |
| Tax recoverable | | 402 | 597 |
| Other current assets | | 4,670 | 3,725 |
| | | <u>104,988</u> | <u>99,196</u> |
| Assets held for sale | | - | 440 |
| | | <u>104,988</u> | <u>99,636</u> |
| TOTAL ASSETS | | <u>197,508</u> | <u>191,433</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 | | 16,875 | 15,356 |
| | | <u>103,282</u> | <u>101,763</u> |
| Minority Interests | | 643 | 605 |
| TOTAL EQUITY | | <u>103,925</u> | <u>102,368</u> |
| Current liabilities | | | |
| Loans and borrowings | 21 | 54,010 | 53,837 |
| Trade payables | | 25,351 | 18,848 |
| Other payables | | 4,719 | 7,018 |
| Income tax payable | | 363 | 313 |
| | | <u>84,443</u> | <u>80,016</u> |
| Non-current liabilities | | | |
| Loans and borrowings | 21 | 6,194 | 6,103 |
| Deffered tax liabilities | | 2,946 | 2,946 |
| | | <u>9,140</u> | <u>9,049</u> |
| TOTAL LIABILITIES | | <u>93,583</u> | <u>89,065</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>197,508</u> | <u>191,433</u> |
| NET ASSETS PER SHARE | | | |
| Attributable to owners of the parent (RM) | | <u>1.37</u> | <u>1.35</u> |

The Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to these interim financial reports.

ORNAPAPER BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE 3-MONTH PERIOD ENDED 31 MAR 2011

| | 3 months ended | |
|--|-----------------------|-----------------------|
| | 31-Mar-2011 RM'000 | 31-Mar-2010 RM'000 |
| Net cash (used in)/generated from operating activities | 2,644 | (8,229) |
| Net cash used in investing activities | (3,886) | (500) |
| Net cash used in financing activities | (1,691) | 722 |
| Net (decrease)/increase in cash and cash equivalents | <u>(2,933)</u> | <u>(8,007)</u> |
| Cash and cash equivalents at beginning of period | 9,459 | 8,349 |
| Cash and cash equivalents at end of period | <u>6,526</u> | <u>342</u> |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 11,335 | 7,418 |
| Fixed deposits | 234 | 228 |
| Bank overdrafts | <u>(5,043)</u> | <u>(7,304)</u> |
| | <u>6,526</u> | <u>342</u> |

The Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial reports.

ORNAPAPER BERHAD
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**STATEMENTS OF CHANGES IN EQUITY
 FOR THE 3-MONTH PERIOD ENDED 31 MAR 2011**

| | <----- 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 Mar 2011 | | | | | | |
| As at 1 Jan 2011 | 75,251 | 11,156 | 15,356 | 101,763 | 605 | 102,368 |
| Adjustments arising from Effects of adopting FRS 139 | | | | - | | - |
| | 75,251 | 11,156 | 15,356 | 101,763 | 605 | 102,368 |
| Total comprehensive income for the period | - | - | 1,519 | 1,519 | 38 | 1,557 |
| As at 31 Mar 2011 | 75,251 | 11,156 | 16,875 | 103,282 | 643 | 103,925 |
| Period ended 31 Mar 2010 | | | | | | |
| As at 1 Jan 2010 | 75,251 | 11,156 | 13,208 | 99,615 | 536 | 100,151 |
| <u>Adjustment arising from adoption of FRS 139 in respect of :</u> | | | | | | |
| 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 |
| Total comprehensive income for the period | - | - | 365 | 365 | 27 | 392 |
| As at 31 Mar 2010 | 75,251 | 11,156 | 11,548 | 97,955 | 563 | 98,518 |

The Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 2011, 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 2011.

- Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives 1 July 2010
- IC Interpretation 12 Service Concession Arrangements 1 July 2010
- IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation 1 July 2010
- IC Interpretation 17 Distributions of Non-cash Assets to Owners 1 July 2010
- Amendments to FRS 132: Classification of Rights Issues 1 March 2010
- Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters 1 January 2011
- Amendments to FRS 1: Additional Exemptions for First-time Adopters 1 January 2011
- Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions 1 January 2011
- Amendments to FRS 7: Improving Disclosures about Financial Instruments 1 January 2011
- Improvements to FRS issued in 2010 1 January 2011
- IC Interpretation 4 Determining Whether an Arrangement contains a Lease 1 January 2011
- IC Interpretation 18 Transfer of Assets from Customers 1 January 2011

The adoption of the above FRS, amendments and interpretations has no significant financial impact to the Group.

3 SEGMENTAL REPORTING

| By Geographical Location | Revenue | | Profit before tax | |
|--------------------------|----------------|----------------|-------------------|----------------|
| | 3 months ended | 3 months ended | 3 months ended | 3 months ended |
| | 31 Mar 11 | 31 Mar 10 | 31 Mar 11 | 31 Mar 10 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysia | 57,402 | 46,681 | 2,057 | 392 |
| | 57,402 | 46,681 | 2,057 | 392 |

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 current financial period to-date.

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 2010.

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 | | 3 months ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 Mar 2011 RM'000 | 31 Mar 2010 RM'000 | 31 Mar 2011 RM'000 | 31 Mar 2010 RM'000 |
| Sales of carton boxes | | | | |
| Perfect Food Manufacturing (M) Sdn. Bhd. * | 621 | 403 | 621 | 403 |
| Greatbrand Food Industries Sdn Bhd * | 197 | 91 | 197 | 91 |
| | <u>818</u> | <u>494</u> | <u>818</u> | <u>494</u> |

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

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 Group's revenue improved by 23% to RM57.4 million as compared to RM46.7 million recorded in the preceding year's corresponding quarter. The Group's profit before tax was higher by RM1.67 million to RM2.06 million as compared to RM392,000. The increase in turnover and profit before tax was mainly due to the higher sales volume and average selling price.

14 COMPARISON WITH IMMEDIATE PRECEDING QUARTER

For the quarter ended 31 March 2011, the Group's revenue improved by 1.9% to RM57.4 million as compared to RM56.3 million recorded in the immediate preceding quarter ended 31 December 2010.

The Group recorded a higher profit before tax of RM2.06 million as compared to RM939,000 recorded in the immediate preceding quarter. The increase in profit before tax was mainly due to allowance for impairment losses on receivables and bad debts written off totaling RM1.1 million in the immediate preceding quarter ended 31 December 2010.

15 CURRENT YEAR'S PROSPECTS

The Group expects the business performance to be challenging for the current financial year as the economy growth in Malaysia in 2011 is expected to be slower than 2010.

16 VARIANCE FROM FORECAST PROFITS OR PROFIT GUARANTEES

Not applicable

17 TAXATION

| | 3 Months Ended 31 Mar | | 3 Months Ended 31 Mar | |
|--------------|-----------------------|----------|-----------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax | (500) | - | (500) | - |
| Deferred tax | - | - | - | - |
| | <u>(500)</u> | <u>-</u> | <u>(500)</u> | <u>-</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 | 5,043 | 5,043 | - |
| Trade Bills - secured | 46,840 | 46,840 | - |
| Hire Purchase Payables - secured | 5,259 | 1,469 | 3,790 |
| Term Loan - Secured | <u>3,062</u> | <u>658</u> | <u>2,404</u> |
| | <u>60,204</u> | <u>54,010</u> | <u>6,194</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 Mar | | 3 Months Ended 31 Mar | |
|---|-----------------------|---------------|-----------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| 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>1,519</u> | <u>365</u> | <u>1,519</u> | <u>365</u> |
| Basic earnings/(loss) per share (Sen) | <u>2.02</u> | <u>0.49</u> | <u>2.02</u> | <u>0.49</u> |
| Diluted earnings/(loss) per share (Sen) | <u>2.02</u> | <u>0.49</u> | <u>2.02</u> | <u>0.49</u> |

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

26 DISCLOSURE OF REALISED AND UNREALISED PROFITS / LOSSES

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

| | As At 31 Mar 2011 | As At 31 Dec 2011 |
|--|--------------------------|--------------------------|
| | RM'000 | RM'000 |
| - Realised | 56,998 | 55,367 |
| - Unrealised | (5,039) | (4,965) |
| | <hr/> | <hr/> |
| | 51,959 | 50,402 |
| Less : Consolidated adjustment | (35,084) | (35,046) |
| | <hr/> | <hr/> |
| Total Group retained profits / (accumulated losses) as per consolidated accounts | <u>16,875</u> | <u>15,356</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 27th May 2011.