

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

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE 9-MONTH PERIOD ENDED 30 SEP 2013**

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30-Sep-2013 RM'000	30-Sep-2012 RM'000	30-Sep-2013 RM'000	30-Sep-2012 RM'000
Continuing operations					
Revenue		60,442	57,328	177,817	170,364
Cost of sales		(48,926)	(46,784)	(144,787)	(139,142)
Gross profit		11,516	10,544	33,030	31,222
Other items of income					
- Interest income		36	16	122	27
- Other income		298	136	1,210	505
Other items of expense					
- Administrative and other expenses		(7,889)	(7,532)	(24,726)	(21,436)
- Interest expense		(869)	(877)	(2,551)	(2,590)
Profit from continuing operations, before tax	8	3,092	2,287	7,085	7,728
Income tax expense	9	(320)	(118)	(813)	(673)
Profit from continuing operations, net of tax		2,772	2,169	6,272	7,055
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		2,772	2,169	6,272	7,055
Profit from continuing operation, net of tax, attributable to:					
Owners of the parent		2,751	2,146	6,175	6,929
Non-controlling interests		21	23	97	126
		2,772	2,169	6,272	7,055
Earnings per share attributable to owners of the parent (sen per share):					
- Basic	10	3.71	2.85	8.32	9.21
- Diluted	10	3.71	2.85	8.32	9.21

These condensed consolidated statements of comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEP 2013**

	Note	As At 30-Sep-2013 RM'000	As At 31-Dec-2012 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		98,467	101,837
Land use rights		4,317	4,422
Investment securities		-	-
Goodwill		1,633	1,633
Deferred tax assets		1,170	1,170
		<u>105,587</u>	<u>109,062</u>
Current assets			
Inventories		38,665	22,594
Trade receivables		55,099	52,461
Other receivables		2,177	2,168
Cash and bank balances		13,643	19,111
Tax recoverable		413	647
Other current assets		5,242	1,639
Derivatives asset		2	-
		<u>115,241</u>	<u>98,620</u>
Assets held for sale		-	-
		<u>115,241</u>	<u>98,620</u>
TOTAL ASSETS		<u>220,828</u>	<u>207,682</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	75,251	75,251
Share premium	16	11,156	11,156
Treasury shares	16	(491)	(489)
Retained earnings		34,617	28,442
		<u>120,533</u>	<u>114,360</u>
Non-controlling interests		854	757
TOTAL EQUITY		<u>121,387</u>	<u>115,117</u>
Non-current liabilities			
Loans and borrowings	17	9,612	9,106
Defferred tax liabilities		4,899	4,899
		<u>14,511</u>	<u>14,005</u>
Current liabilities			
Loans and borrowings	17	57,816	55,260
Trade payables		17,862	16,673
Other payables		9,205	6,448
Income tax payable		47	179
Derivatives liabilities		-	-
		<u>84,930</u>	<u>78,560</u>
TOTAL LIABILITIES		<u>99,441</u>	<u>92,565</u>
TOTAL EQUITY AND LIABILITIES		<u>220,828</u>	<u>207,682</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>1.60</u>	<u>1.52</u>

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

ORNAPAPER BERHAD
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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE 9-MONTH PERIOD ENDED 30 SEP 2013**

	9 months ended	
	30-Sep-2013	30-Sep-2012
	RM'000	RM'000
Operating activities		
Profit before taxation	7,086	7,728
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	7,378	6,437
- Land use right	106	106
Property, plant and equipment written off	1,529	1,091
Allowance for impairment loss on receivable	-	-
Reversal of impairment loss on trade receivable	(456)	(21)
Net (gain) / loss on disposal of property, plant and equipment	(145)	108
Bad debts written off	150	-
(Gain) / loss on fair value changes of derivatives	(2)	15
Interest expense	2,551	2,270
Interest income	(122)	(30)
Operating cash flows before changes in working capital	<u>18,075</u>	<u>17,704</u>
(Increase)/decrease in inventories	(16,071)	(698)
(Increase)/decrease in trade and other receivable	(5,945)	(2,507)
Increase/(decrease) in trade and other payable	3,945	2,065
Cash generated from operation	<u>4</u>	<u>16,564</u>
Interest paid	(2,551)	(2,270)
Interest income	122	30
Taxes (paid) / refund	(711)	(531)
Net cash flow from/(used in) operating activities	<u>(3,136)</u>	<u>13,793</u>
Investing activities		
Purchase of property, plant and equipment	(5,539)	(8,638)
Proceeds from disposal of property, plant and equipment	149	222
Net cash flows used in investing activities	<u>(5,390)</u>	<u>(8,416)</u>
Financing activities		
Drawdown of hire purchase	1,437	3,681
Drawdown / (repayment) of term loan	(697)	3,444
Repayment of hire purchase	(1,182)	(1,819)
Short term borrowings	(959)	(5,514)
Dividend paid	-	-
Purchase of treasury shares	(3)	(461)
Net cash flows used in financing activities	<u>(1,404)</u>	<u>(669)</u>
Net increase/(decrease) in cash and cash equivalents	(9,930)	4,708
Cash and cash equivalents at 1 January	14 <u>17,217</u>	<u>3,496</u>
Cash and cash equivalents at 30 September	14 <u>7,287</u>	<u>8,204</u>

These condensed consolidated statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial reports.

ORNAPAPER BERHAD
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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 FOR THE 9-MONTH PERIOD ENDED 30 SEP 2013**

<----- Attributable to owners of the parent ----->

	< ----- Non Distributable ----- >			Distributable		Non-	Total
	Share	Share	Treasury	Retained	Total	controlling	Equity
	capital	premium	shares	earnings	RM'000	interests	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Period ended 30 June 2013							
As at 1 Jan 2013	75,251	11,156	(489)	28,442	114,360	757	115,117
Purchase of treasury shares	-	-	(2)	-	(2)	-	(2)
Total comprehensive income for the period	-	-	-	6,175	6,175	97	6,272
As at 30 September 2013	<u>75,251</u>	<u>11,156</u>	<u>(491)</u>	<u>34,617</u>	<u>120,533</u>	<u>854</u>	<u>121,387</u>
Period ended 30 September 2012							
As at 1 Jan 2012	75,251	11,156	-	21,157	107,564	597	108,161
Purchase of treasury shares	-	-	(461)	-	(461)	-	(461)
Total comprehensive income for the period	-	-	-	6,929	6,929	126	7,055
As at 30 September 2012	<u>75,251</u>	<u>11,156</u>	<u>(461)</u>	<u>28,086</u>	<u>114,032</u>	<u>723</u>	<u>114,755</u>

These condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**EXPLANATORY NOTES PURSUANT TO MFRS 134 AND BURSA MALAYSIA LISTING REQUIREMENTS CHAPTER 9, APPENDIX 9B,
PART A**

1 CORPORATE INFORMATION

Ornapaper Berhad is a public listed liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 15th Nov 2013.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the period ended 30 Sep 2013, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012 and the explanatory notes that follow 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 2012.

3 SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF MFRS 1

The significant accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those of the audited financial statements of the Group for the year ended 31 December 2012 except for the adoption of the following new/revised Malaysian Financial Reporting Standards ("MFRS") which became effective during the current financial period:

MFRS 1	Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Government Loans)
MFRS 1	Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009 - 2011 Cycle)
MFRS 3	MFRS 3 Business Combinations (IFRS 3 issued by IASB in March 2004)
MFRS 7	Amendments to MFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities)
MFRS 10	Consolidated Financial Statements
MFRS 10	Amendments to MFRS 10 Consolidated Financial Statements (Transition Guidance)
MFRS 11	Joint Arrangements
MFRS 11	Amendments to MFRS 11 Joint Arrangements (Transition Guidance)
MFRS 12	Disclosure of Interests in Other Entities
MFRS 12	Amendments to MFRS 12 Disclosure of Interests in Other Entities (Transition Guidance)
MFRS 13	Fair Value Measurement
MFRS 101	Amendments to MFRS 101 Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income)
MFRS 101	Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009 - 2011 Cycle)
MFRS 116	Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009 - 2011 Cycle)
MFRS 119	Employee Benefits
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 132	Amendments to MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009 - 2011 Cycle)
MFRS 134	Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2009 - 2011 Cycle)
IC Int. 2	Amendments to IC Int. 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009 - 2011 Cycle)
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine

The adoption of the new/revised standards and interpretations has no material impact on these condensed consolidated interim financial statements, the main changes of which are discussed below:

(a) MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) and MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)

An entity shall apply these earlier versions of MFRS 3 and MFRS 127 only if the entity has elected to do so as allowed in MFRS 10 Consolidated Financial Statements.

(b) MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

(c) MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when:

- (i) the investor has power over an investee,
- (ii) the investor has exposure, or rights, to variable returns from its involvement with the investee, and
- (iii) the investor has ability to use its power over the investee to affect the amount of the investor's returns.

Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances.

(d) MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted.

(e) Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009 - 2011 Cycle)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

(f) MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

4 CHANGES IN ESTIMATES

There were no changes in estimates that have had a material effect in the current interim period.

5 CHANGES IN COMPOSITION OF GROUP

There were no changes in the composition of the Group for the current financial period to-date.

6 SEGMENT INFORMATION

There is no segmental information to be disclosed as the Group principally manufactures one product line, that is corrugated board, carton boxes and other paper related products. It operates solely in Malaysia.

7 SEASONALITY OF OPERATIONS

The business operations for the financial period to-date were not affected by seasonal or cyclical factors.

8 PROFIT BEFORE TAX

	Current quarter		Cumulative quarter	
	3 Months Ended 30 Sep		9 Months Ended 30 Sep	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant & equipment	2,779	2,195	7,379	6,437
Amortisation of prepaid lease payments	25	25	106	106
Impairment loss on trade & other receivables	-	-	-	-
Reversal of impairment loss on trade receivable	(15)	-	(456)	(21)
Bad debts written off	-	-	150	-
Inventories written off	-	-	-	-
Loss / (gain) on disposal of quoted and unquoted investments	-	-	-	-
Loss / (gain) on disposal of property, plant and equipment	-	(22)	(145)	108
Net fair value loss / (gain) on held for trading investment securities	-	-	-	-
Loss on disposal of available for sale investment securities	-	-	-	-
Provisions	-	-	-	-
Impairment of goodwill	-	-	-	-
Impairment of other assets	-	-	-	-
Property, plant & equipment written off	-	483	1,529	1,091
Write-down of inventories	-	-	-	-
Loss / (gain) on foreign exchange - realised	(49)	(12)	(60)	(13)
Loss / (gain) on foreign exchange - unrealised	-	-	-	-
Loss / (gain) on fair value changes of derivatives	(1.85)	15	(2)	15
Exceptional items	-	-	-	-

9 INCOME TAX EXPENSE

	3 Months Ended 30 Sep		9 Months Ended 30 Sep	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current tax	(320)	(118)	(813)	(673)
Deferred tax	-	-	-	-
	<u>(320)</u>	<u>(118)</u>	<u>(813)</u>	<u>(673)</u>

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax rate for the current financial year was lower than the statutory tax rate principally due to the utilisation of reinvestment allowance.

10 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:

	Current quarter		Cumulative quarter	
	3 Months Ended 30 Sep		9 Months Ended 30 Sep	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
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>74,219</u>	<u>75,251</u>	<u>74,219</u>	<u>75,251</u>
Net profit attributable to ordinary equity holders of the parent (RM'000)	<u>2,751</u>	<u>2,146</u>	<u>6,175</u>	<u>6,929</u>
Basic earnings per share (Sen)	<u>3.71</u>	<u>2.85</u>	<u>8.32</u>	<u>9.21</u>
Diluted earnings per share (Sen)	<u>3.71</u>	<u>2.85</u>	<u>8.32</u>	<u>9.21</u>

11 PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 Sep 2013, assets with a carrying amount of RM1,652 (2012:RM397,860) were disposed off by the Group resulting in a net gain on disposal of RM144,945 (2012:loss of RM129,625), recognised and included in the statement of comprehensive income.

12 INTANGIBLE ASSETS - GOODWILL

Goodwill is tested for impairment annually (31 December) and when circumstances indicate that the carrying value may be impaired. The group's impairment test for goodwill is based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The key assumptions used to determine the recoverable amount for the different cash generating units were discussed in the annual financial statements for the year ended 31 December 2012.

Management did not identify any impairment for the cash generating unit to which goodwill is allocated.

13 INVENTORIES

During the nine months ended 30 Sep 2013, there were no write-down of inventories.

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:

	30 Sep	31 Dec
	2013	2012
	RM'000	RM'000
Cash at bank and in hand	13,077	18,256
Short term deposits with licensed bank	566	855
Bank overdrafts	<u>(6,356)</u>	<u>(1,894)</u>
Total cash and cash equivalents	<u>7,287</u>	<u>17,217</u>

15 FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included in Level 1, that are observable for asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As at reporting period, the Group held the following financial assets that are measured at fair value:

As at 30 Sep 2013	Level 2 30 Sep 2013 RM'000
Derivative assets at fair value through profit or loss	2

16 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

There were no issuance or re-purchase of ordinary shares during the financial period ended 30 September 2013 except for the following:

Treasury shares

5,000 ordinary shares of RM1.00 each were bought back and held as treasury shares.

17 INTEREST-BEARING LOANS AND BORROWINGS

The borrowings of the Company as at the end of the current financial quarter were as follows:-

Type of Borrowing	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Short term borrowing (secured)		
Bank overdrafts	6,356	1,894
Trade bills	49,170	50,129
Hire purchase payables	953	1,033
Term loan	1,337	2,204
	<u>57,816</u>	<u>55,260</u>
Long term borrowing (secured)		
Hire purchase payables	2,834	2,499
Term loan	6,778	6,607
	<u>9,612</u>	<u>9,106</u>
Total borrowing	<u>67,428</u>	<u>64,366</u>

None of the above borrowings are dominated in foreign currencies.

18 PROVISIONS FOR COST OF RESTRUCTURING

There were no provision for, or reversal of, costs of restructuring during the reporting period.

19 DIVIDENDS

No dividends were paid during the current financial period to-date.

20 CAPITAL COMMITMENTS

	As At	
	30-Sep 2013 RM'000	31-Dec 2012 RM'000
Contracted but not provided for:		
Purchase of property, plant & equipment	<u>3,651</u>	<u>2,373</u>

21 CONTINGENCIES

There were no contingent assets or liabilities existing at end of the reporting period.

22 RELATED PARTY TRANSACTIONS

The following table shows the transactions which had been entered into with related parties during the 9-month period ended 30 September 2013 and 31 December 2012 as well as the balances with the related parties as at 30 September 2013 and 31 December 2012:

	Transactions with related parties 9 months ended		Amounts owed by related parties As At		Amounts due to related parties As At	
	30 Sep 2013	30 Sep 2012	30-Sep 2013	31-Dec 2012	30-Sep 2013	31-Dec 2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of carton boxes #						
Perfect Food Manufacturing (M) Sdn. Bhd. *	3,483	2,877	525	419		
Greatbrand Food Industries Sdn. Bhd. *	895	937	101	154		
STH Wire Industry (M) Sdn. Bhd. @	61	-	12	-		-
Purchase of raw material						
STH Wire Industry (M) Sdn. Bhd. @	293	-	-	-	75	-

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

@ Company in which Sai Chin Hock and his son, Sai Seak Chyuan, are directors

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

23 EVENTS AFTER THE REPORTING PERIOD

There were no material events subsequent to the end of interim financial period.

24 PERFORMANCE REVIEW

The group sales revenue increased by 5.43% and profit before tax increased by 35.20% as compared to the corresponding quarter. The significant increase in profit before tax was mainly due to higher sales volume and property, plant and equipment written off in the corresponding quarter of RM483,000.

25 COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

Despite the decrease in turnover of 4.65%, the Group recorded a higher profit before taxation of RM3,092 million as compared to the profit before taxation of RM2,197 million in the preceding quarter. This was mainly due to property, plant and equipment written off of RM1.5 million in the preceeding quarter.

26 COMMENTARY ON PROSPECTS

The operating environment continue to be challenging due to competitive business environment in the corrugated paper industry. The Group shall continue to focus on operating efficiency and is thus expected to remain profitable in the coming quarter.

27 COMMENTARY ON PROGRESS TO ACHIEVE REVENUE OR PROFIT ESTIMATE, FORECAST, PROJECTION OR INTERNAL TARGETS

Not applicable

28 STATEMENT BY DIRECTORS ON ACHIEVABILITY OF REVENUE OR PROFIT ESTIMATE, FORCAST, PROJECTION OR INTERNAL TARGET

Not applicable

29 VARIANCE FROM PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable

30 CORPORATE PROPOSALS

As of the date of this report, there were no corporate proposals announced but not completed at the latest practicable date (not earlier than 7 days from the date of issue of this Quarterly Report).

31 CHANGES IN MATERIAL LITIGATION

There was no material litigation against the Group as at the date of this report.

32 DIVIDEND PAYABLE

Refer to note 19 for details.

33 DISCLOSURE OF NATURE OF OUTSTANDING DERIVATIVES

Type of Derivatives	Contract Value	Fair Value
	USD'000	RM'000
Maybank Fixed forward contracts - less than 1 year	956	3,117

34 RATIONALE FOR ENTERING INTO DERIVATIVES

The Group had entered into three fixed forward contracts with Maybank on 2 Aug 2013 which will expires on 7 Oct 2013, 6 Nov 2013 and 6 Dec 2013 respectively and one fixed forward contract on 20 Sep 2013 which will expires on 25 November 2013. The purpose is to hedge against unfavorable movement in foreign exchange rate in respect of the acquisition of property, plant and equipment and purchase of raw materials from oversea.

35 RISKS AND POLICIES OF DERIVATIVES

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to transactional currency risk primarily respective through sales and purchases that are detominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily United States Dollars ("USD") and Singapore Dollars ("SGD") and Euro. Such transactions are kept to an acceptable level and the Group only enters into foreign exchange contracts when necessary. The Group policy is not to speculate on such contracts.

36 DISCLOSURE OF GAINS/LOSSES ARISING FROM FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

Contract no.:	FS693295	FS693298	FS693301	FS736373
Rate contracted:	3.2700	3.2755	3.2805	3.1840
Balances as at 30 September 2013 (In USD):	55,957	300,000	400,000	200,000
Rate as at 30 September 2013	3.2600	3.2600	3.2600	3.2600
Gain / (Loss) on fair value changes of derivatives (In RM)	(560)	(4,650)	(8,200)	15,200

37 BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	As At	
	30-Sep-13	31-Dec-12
	RM'000	RM'000
- Realised	81,443	77,465
- Unrealised	(4,900)	(3,729)
	76,543	73,736
Less : Consolidation adjustments	(41,926)	(45,294)
Total Group retained profits / (accumulated losses) as per consolidated accounts	<u>34,617</u>	<u>28,442</u>

38 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.

39 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 15 November 2013.