

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2014**

	Note	Current quarter		Cumulative quarter	
		3 months ended		6 months ended	
		30-Jun-2014	30-Jun-2013	30-Jun-2014	30-Jun-2013
		RM'000	RM'000	RM'000	RM'000
<b>Continuing operations</b>					
Revenue		75,068	63,390	140,490	117,375
Cost of sales		(61,575)	(51,526)	(114,422)	(95,861)
Gross profit		13,493	11,864	26,068	21,514
Other items of income					
- Interest income		4	48	10	86
- Other income		601	588	769	912
Other items of expense					
- Administrative and other expenses		(9,709)	(9,448)	(18,440)	(16,837)
- Interest expense		(822)	(855)	(1,636)	(1,682)
Profit from continuing operations, before tax	8	3,567	2,197	6,771	3,993
Income tax expense	9	(1,254)	(259)	(1,772)	(493)
Profit from continuing operations, net of tax		2,313	1,938	4,999	3,500
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		2,313	1,938	4,999	3,500
<b>Profit from continuing operation, net of tax, attributable to:</b>					
Owners of the parent		2,276	1,902	4,892	3,424
Non-controlling interests		37	36	107	76
		2,313	1,938	4,999	3,500
<b>Earnings per share attributable to owners of the parent (sen per share):</b>					
- Basic	10	3.07	2.56	6.60	4.61
- Diluted	10	3.07	2.56	6.60	4.61

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 STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

	Note	As At 30-Jun-2014 RM'000	As At 31-Dec-2013 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	102,141	101,980
Land use rights		4,227	4,292
Goodwill	12	1,633	1,633
Deferred tax assets		1,673	1,673
		<u>109,674</u>	<u>109,578</u>
<b>Current assets</b>			
Inventories	13	31,263	33,472
Trade receivables		63,199	59,566
Other receivables		1,226	1,264
Other current assets		8,445	4,892
Tax recoverable		249	290
Cash and bank balances	14	15,651	10,044
		<u>120,033</u>	<u>109,528</u>
<b>TOTAL ASSETS</b>		<u>229,707</u>	<u>219,106</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	75,251	75,251
Share premium	16	11,156	11,156
Treasury shares	16	(541)	(541)
Retained earnings		41,366	36,474
		<u>127,232</u>	<u>122,340</u>
<b>Non-controlling interests</b>		<u>937</u>	<u>898</u>
<b>TOTAL EQUITY</b>		<u>128,169</u>	<u>123,238</u>
<b>Non-current liabilities</b>			
Loans and borrowings	17	9,485	7,734
Deferred tax liabilities		7,756	6,643
		<u>17,241</u>	<u>14,377</u>
<b>Current liabilities</b>			
Loans and borrowings	17	53,596	51,189
Trade payables		23,099	23,292
Other payables		7,401	6,913
Income tax payable		201	97
		<u>84,297</u>	<u>81,491</u>
<b>TOTAL LIABILITIES</b>		<u>101,538</u>	<u>95,868</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>229,707</u>	<u>219,106</u>
<b>NET ASSETS PER SHARE</b>			
Attributable to owners of the parent (RM)		<u>1.69</u>	<u>1.63</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**

(Company No.: 573695 W)

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2014**

	<b>6 months ended</b>	
	<b>30-Jun-2014</b>	<b>30-Jun-2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating activities</b>		
<b>Profit before taxation</b>	6,771	3,993
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	5,606	4,600
- Land use right	65	81
Property, plant and equipment written off	240	1,529
Reversal of impairment loss on trade receivable	-	(441)
Net gain on disposal of property, plant and equipment	(40)	(145)
Bad debts recovered	(512)	-
Bad debts written off	-	150
Interest expense	1,648	1,682
Interest income	(22)	(86)
<b>Operating cash flows before changes in working capital</b>	<u>13,756</u>	<u>11,363</u>
Decrease/(Increase)in inventories	2,208	(11,090)
Increase in trade and other receivables	(6,635)	(7,511)
Increase in trade and other payables	292	6,980
<b>Cash generated/(used in) from operation</b>	<u>9,621</u>	<u>(258)</u>
Interest paid	(1,648)	(1,682)
Interest income	22	86
Taxes paid	(515)	(525)
<b>Net cash flows from/(used in) operating activities</b>	<u>7,480</u>	<u>(2,379)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(5,875)	(4,515)
Proceeds from disposal of property, plant and equipment	86	147
<b>Net cash flows used in investing activities</b>	<u>(5,789)</u>	<u>(4,368)</u>
<b>Financing activities</b>		
Drawdown of hire purchase	5,560	1,437
Repayment of term loan	(2,531)	(103)
Repayment of hire purchase	(1,355)	(929)
Increase/(decrease) in short term borrowings	26	(5,072)
Purchase of treasury shares	-	(2)
Dividend paid	(68)	-
<b>Net cash flows from/(used in) financing activities</b>	<u>1,632</u>	<u>(4,669)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	3,323	(11,416)
<b>Cash and cash equivalents at 1 January</b>	<b>14</b> <u>3,806</u>	<u>17,217</u>
<b>Cash and cash equivalents at 30 June</b>	<b>14</b> <u>7,129</u>	<u>5,801</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**  
 (Company No.: 573695 W)  
 (Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2014**

	<----- Attributable to owners of the parent ----->						
	< ----- Share capital RM'000	Non Distributable Share premium RM'000	-----> Treasury shares RM'000	Distributable Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total Equity RM'000
<b>Period ended 30 June 2014</b>							
As at 1 Jan 2014	75,251	11,156	(541)	36,474	122,340	898	123,238
Dividend paid to non-controlling interest	-	-	-	-	-	(68)	(68)
Total comprehensive income for the period	-	-	-	4,892	4,892	107	4,999
As at 30 June 2014	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>41,366</u>	<u>127,232</u>	<u>937</u>	<u>128,169</u>
<b>Period ended 30 June 2013</b>							
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	-	-	-	3,424	3,424	76	3,500
As at 30 June 2013	<u>75,251</u>	<u>11,156</u>	<u>(491)</u>	<u>31,866</u>	<u>117,782</u>	<u>833</u>	<u>118,615</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 15 Aug 2014.

**2 BASIS OF PREPARATION**

These condensed consolidated interim financial statements, for the period ended 30 June 2014, 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 2013 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 2013.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRSs") effective for financial periods beginning on or after 1 January 2014.

Amendments to MFRS 10: Consolidated Financial Statements (Investment Entities)  
Amendments to MFRS 12: Disclosure of Interests in Other Entities (Investment Entities)  
Amendments to MFRS 127: Consolidated and Separate Financial Statements (Investment Entities)  
Amendments to MFRS 132: Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)  
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets  
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting  
IC Interpretation 21 Levies

Adoption of the above standards and interpretations did not have any effect on these condensed consolidated interim financial statements.

The standards that are issued but not yet effective are disclosed below. The Group intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual period beginning on or after
Amendments to MFRS 119 Defined Benefit Plans : Employee Contribution	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

The adoption of the above standards will have no material impact on the financial statements in the period of initial application.

**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 Jun		6 Months Ended 30 Jun	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant & equipment	2,939	2,330	5,606	4,600
Amortisation of prepaid lease payments	32	24	65	81
Reversal of impairment loss on trade receivable	-	(342)	-	(441)
Bad debts written off	-	-	-	150
Bad debts recovered	(510)	-	(512)	-
Loss / (gain) on disposal of property, plant and equipment	11	(79)	(40)	(145)
Property, plant & equipment written off	(5)	1,518	240	1,529
Loss / (gain) on foreign exchange - realised	54.40	7	55	(11)
Loss / (gain) on fair value changes of derivatives	(2.45)	(0.15)	0.55	(0.15)

**9 INCOME TAX EXPENSE**

	3 Months Ended 30 Jun		6 Months Ended 30 Jun	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current tax	(390)	(259)	(658)	(493)
Deferred tax	(864)	-	(1,114)	-
	<u>(1,254)</u>	<u>(259)</u>	<u>(1,772)</u>	<u>(493)</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.

**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 Jun		6 Months Ended 30 Jun	
	2014	2013	2014	2013
	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>74,153</u>	<u>74,224</u>	<u>74,153</u>	<u>74,224</u>
Net profit attributable to ordinary equity holders of the parent (RM'000)	<u>2,276</u>	<u>1,902</u>	<u>4,892</u>	<u>3,424</u>
Basic earnings per share (Sen)	<u>3.07</u>	<u>2.56</u>	<u>6.60</u>	<u>4.61</u>
Diluted earnings per share (Sen)	<u>3.07</u>	<u>2.56</u>	<u>6.60</u>	<u>4.61</u>

**11 PROPERTY, PLANT AND EQUIPMENT**

During the period ended 30 June 2014, assets with a carrying amount of RM45,668 (2013:RM1,652) were disposed off by the Group resulting in a net gain on disposal of RM39,892 (2013:gain of RM144,945), 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 2013.

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

**13 INVENTORIES**

During the six months ended 30 June 2014, there were no write-down of inventories.

**14 CASH AND BANK BALANCES**

Cash and cash equivalents comprised the following amounts:

	<b>30 Jun 2014 RM'000</b>	<b>31 Dec 2013 RM'000</b>
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	13,085	7,478
Short term deposits with licensed banks	2,566	2,566
Cash and bank balances	<u>15,651</u>	<u>10,044</u>
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	13,085	7,478
Bank overdrafts	(5,956)	(3,672)
Total cash and cash equivalents	<u>7,129</u>	<u>3,806</u>

**15 FAIR VALUE HIERARCHY**

The Group uses the following hierarchy in determining the fair value of all financial instruments carried at fair value:

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

Level 2 - Inputs that are based on observable market data, either directly or indirectly.

Level 3 - Inputs that are not based on observable market data.

As at 30 June 2014, the Group held the following financial assets that are measured at fair value:-

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Liabilities measured at fair value:			
Derivative liabilities		0.55	

**16 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES**

There were no issuance or re-purchase of ordinary shares during the financial period ended 30 June 2014.

**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	<b>30 Jun 2014 RM'000</b>	<b>31 Dec 2013 RM'000</b>
<b>Short term borrowing (secured)</b>		
Bank overdrafts	5,956	3,672
Trade bills	43,967	43,941
Hire purchase payables	2,275	1,090
Term loan	1,398	2,486
	<u>53,596</u>	<u>51,189</u>
<b>Long term borrowing (secured)</b>		
Hire purchase payables	5,882	2,686
Term loan	3,603	5,048
	<u>9,485</u>	<u>7,734</u>
<b>Total borrowing</b>	<u>63,081</u>	<u>58,923</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	
	<b>30-Jun 2014 RM'000</b>	<b>31-Dec 2013 RM'000</b>
Approved and contracted for:		
Purchase of property, plant & equipment	2,380	838

**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 6-month period ended 30 June 2014 and 30 June 2013 as well as the balances with the related parties as at 30 June 2014 and 31 December 2013:

	Transactions with related parties 6 months ended		Amounts owed by related parties As At		Amounts due to related parties As At	
	30 Jun 2014	30 Jun 2013	30-Jun 2014	31-Dec 2013	30-Jun 2014	31-Dec 2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Sales of carton boxes #</b>						
Perfect Food Manufacturing (M) Sdn. Bhd. *	2,689	2,011	506	616	-	-
Greatbrand Food Industries Sdn. Bhd. *	787	576	176	180	-	-
STH Wire Industry (M) Sdn. Bhd. @	32	-	9	2	-	-
<b>Purchase of raw material</b>						
STH Wire Industry (M) Sdn. Bhd. @	255	301	-	-	71	41

\* 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 recorded a revenue of RM75.068 million and profit before tax of RM3.567 million in the current quarter ended 30 June 2014. The revenue was increased by RM11.678 million or 18.4% compared with the preceding year corresponding quarter. Profit before tax was increased by RM1.370 million or 62.4% compared with the preceding year corresponding quarter. The increase in revenue and profit before tax was mainly attributable from higher sales volume due to strong orders from the customers.

## 25 COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

For the quarter under review, the Group recorded a revenue of RM75.068 million as compared to revenue of RM65.422 million in the immediate preceding quarter, representing an increase of RM9.646 million due to higher sales volume. Although the Group turnover increased significantly, the profit before taxation only increased slightly from RM3.204 million to RM3.567, that was due to higher operating cost.

## 26 COMMENTARY ON PROSPECTS

Baring unforeseen circumstances, the Group will remain profitable in the year.

## 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, FORECAST, 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
RHB Islamic Bank Berhad Fixed forward contract - less than 1 year	166	548

**34 RATIONALE FOR ENTERING INTO DERIVATIVES**

The Group had entered one fixed forward contract with RHB Islamic Bank Berhad which was contracted on 3 April 2014 and will expire on 3 July 2014. 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"). 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.:	138794
Rate contracted:	3.3033
Balances as at 30 June 2014 (In USD):	166,437
Rate as at 30 June 2014	3.3000
Gain / (Loss) on fair value changes of derivatives (In RM)	(549)

**37 BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES**

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

	As At	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
- Realised	87,674	85,526
- Unrealised	(6,083)	(4,970)
	<u>81,591</u>	<u>80,556</u>
Less : Consolidation adjustments	(40,225)	(44,082)
Total Group retained profits / (accumulated losses) as per consolidated accounts	<u>41,366</u>	<u>36,474</u>

**38 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT**

The auditors' report on the financial statements for the year ended 31 December 2013 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 Aug 2014.