

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2014**

	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31-Dec-2014 RM'000	31-Dec-2013 RM'000	31-Dec-2014 RM'000	31-Dec-2013 RM'000
Continuing operations					
Revenue		65,475	67,808	273,797	245,625
Cost of sales		(53,817)	(55,587)	(222,351)	(200,374)
Gross profit		11,658	12,221	51,446	45,251
Other items of income					
- Interest income		87	(6)	118	116
- Other income		689	539	2,213	1,749
Other items of expense					
- Administrative and other expenses		(9,274)	(8,481)	(37,471)	(33,207)
- Interest expense		(669)	(820)	(3,133)	(3,371)
Profit from continuing operations, before tax	8	2,491	3,453	13,173	10,538
Income tax expense	9	(663)	(1,552)	(3,412)	(2,365)
Profit from continuing operations, net of tax		1,828	1,901	9,761	8,173
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		1,828	1,901	9,761	8,173
Profit from continuing operation, net of tax, attributable to:					
Owners of the parent		1,829	1,857	9,625	8,032
Non-controlling interests		(1)	44	136	141
		1,828	1,901	9,761	8,173
Earnings per share attributable to owners of the parent (sen per share):					
- Basic	10	2.47	2.50	12.98	10.82
- Diluted	10	2.47	2.50	12.98	10.82

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 31 DECEMBER 2014

	Note	As At 31-Dec-2014 RM'000	As At 31-Dec-2013 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	103,821	101,980
Land use rights		4,162	4,292
Goodwill	12	1,633	1,633
Deferred tax assets		1,052	1,673
		<u>110,668</u>	<u>109,578</u>
Current assets			
Inventories	13	32,666	33,472
Trade receivables		56,271	59,566
Other receivables		3,817	1,264
Other current assets		1,178	4,892
Tax recoverable		283	290
Cash and bank balances	14	9,941	10,044
		<u>104,156</u>	<u>109,528</u>
Assets held for sale		-	-
		<u>104,156</u>	<u>109,528</u>
TOTAL ASSETS		<u>214,824</u>	<u>219,106</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	75,251	75,251
Share premium	16	11,156	11,156
Treasury shares	16	(541)	(541)
Retained earnings		46,099	36,474
		<u>131,965</u>	<u>122,340</u>
Non-controlling interests		966	898
TOTAL EQUITY		<u>132,931</u>	<u>123,238</u>
Non-current liabilities			
Loans and borrowings	17	5,306	7,734
Defferred tax liabilities		8,190	6,643
		<u>13,496</u>	<u>14,377</u>
Current liabilities			
Loans and borrowings	17	42,142	51,189
Trade payables		17,367	23,292
Other payables		8,706	6,913
Income tax payable		171	97
Derivatives liabilities		11	-
		<u>68,397</u>	<u>81,491</u>
TOTAL LIABILITIES		<u>81,893</u>	<u>95,868</u>
TOTAL EQUITY AND LIABILITIES		<u>214,824</u>	<u>219,106</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>1.75</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
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2014**

	12 months ended	
	31-Dec-2014 RM'000	31-Dec-2013 RM'000
Operating activities		
Profit before taxation	13,173	10,538
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	11,480	9,815
- Land use right	130	130
Property, plant and equipment written off	1,028	1,530
Reversal of impairment loss on trade receivable	(762)	(695)
Net gain on disposal of property, plant and equipment	(290)	(176)
Unrealised gain on foreign exchange	-	(64)
Bad debts recovered	(580)	-
Bad debts written off	219	669
Loss on fair value changes of derivatives	11	-
Interest expense	3,133	3,371
Interest income	(118)	(116)
Operating cash flows before changes in working capital	<u>27,424</u>	<u>25,002</u>
Decrease/(Increase) in inventories	806	(10,878)
Decrease / (Increase) in trade and other receivables	5,577	(9,364)
(Decrease) / Increase in trade and other payables	(4,132)	7,084
Cash generated from operation	<u>29,675</u>	<u>11,844</u>
Interest paid	(3,133)	(3,371)
Interest income	118	116
Taxes paid	(1,163)	(849)
Net cash flows from operating activities	<u>25,497</u>	<u>7,740</u>
Investing activities		
Purchase of property, plant and equipment	(18,750)	(8,834)
Proceeds from disposal of property, plant and equipment	4,868	223
Increased in deposit with a licensed bank	(1,587)	(1,711)
Net cash flows used in investing activities	<u>(15,469)</u>	<u>(10,322)</u>
Financing activities		
Drawdown of term loan or hire purchase	5,560	1,000
Repayment of term loan	(5,842)	(2,277)
Repayment of hire purchase	(2,703)	(2,457)
Decrease in short term borrowings	(6,557)	(6,188)
Purchase of treasury shares	-	(52)
Dividend paid	(68)	-
Net cash flows used in financing activities	<u>(9,610)</u>	<u>(9,974)</u>
Net increase/(decrease) in cash and cash equivalents	418	(12,556)
Cash and cash equivalents at 1 January	14 <u>3,806</u>	<u>16,362</u>
Cash and cash equivalents at 31 December	14 <u>4,224</u>	<u>3,806</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 STATEMENT OF CHANGES IN EQUITY
 FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2014**

<----- 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
Period ended 30 September 2014							
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	-	-	-	9,625	9,625	136	9,761
As at 31 December 2014	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>46,099</u>	<u>131,965</u>	<u>966</u>	<u>132,931</u>
Period ended 31 December 2013							
As at 1 Jan 2013	75,251	11,156	(489)	28,442	114,360	757	115,117
Purchase of treasury shares	-	-	(52)	-	(52)	-	(52)
Total comprehensive income for the period	-	-	-	8,032	8,032	141	8,173
As at 31 December 2013	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>36,474</u>	<u>122,340</u>	<u>898</u>	<u>123,238</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 13 February 2015.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the period ended 31 December 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 Contributions	01-Jul-14
Annual Improvements to MFRSs 2010 – 2012 Cycle	01-Jul-14
Annual Improvements to MFRSs 2011 – 2013 Cycle	01-Jul-14
Annual Improvements to MFRSs 2012 – 2014 Cycle	01-Jan-16
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	01-Jan-16
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	01-Jan-16
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01-Jan-16
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	01-Jan-16
Amendments to MFRS 127: Equity Method in Separate Financial Statements	01-Jan-16
Amendments to MFRS 101: Disclosure Initiatives	01-Jan-16
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	01-Jan-16
MFRS 14 Regulatory Deferral Accounts	01-Jan-16
MFRS 15 Revenue from Contracts with Customers	01-Jan-17
MFRS 9 Financial Instruments	01-Jan-18

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 31 Dec		12 Months Ended 31 Dec	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant & equipment	2,975	2,437	11,480	9,815
Amortisation of prepaid lease payments	32	24	130	130
Reversal of impairment loss on trade receivable	(162)	(239)	(762)	(695)
Bad debts written off	219	519	219	669
Bad debts recovered	(8)	-	(580)	-
Gain on disposal of property, plant and equipment	(295)	(31)	(290)	(176)
Property, plant & equipment written off	164	-	1,028	1,530
Loss / (gain) on foreign exchange - realised	84	18	(2)	(42)
Loss on fair value changes of derivatives	11	2	11	-

9 INCOME TAX EXPENSE

	3 Months Ended 31 Dec		12 Months Ended 31 Dec	
	2014		2013	
	RM'000	RM'000	RM'000	RM'000
Current tax	(394)	(311)	(1,244)	(1,124)
Deferred tax	(269)	(1,241)	(2,168)	(1,241)
	<u>(663)</u>	<u>(1,552)</u>	<u>(3,412)</u>	<u>(2,365)</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 31 Dec		12 Months Ended 31 Dec	
	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>1,829</u>	<u>1,857</u>	<u>9,625</u>	<u>8,032</u>
Basic earnings per share (Sen)	<u>2.47</u>	<u>2.50</u>	<u>12.98</u>	<u>10.82</u>
Diluted earnings per share (Sen)	<u>2.47</u>	<u>2.50</u>	<u>12.98</u>	<u>10.82</u>

11 PROPERTY, PLANT AND EQUIPMENT

During the period ended 31 December 2014, assets with a carrying amount of RM4,577,270 (2013:RM46,991) were disposed off by the Group resulting in a net gain on disposal of RM290,490 (2013:gain of RM176,014), 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 nine months ended 31 December 2014, there were no write-down of inventories.

14 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

	31 Dec 2014	31 Dec 2013
	RM'000	RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	5,788	7,478
Short term deposits with licensed banks	4,153	2,566
Cash and bank balances	<u>9,941</u>	<u>10,044</u>
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	5,788	7,478
Bank overdrafts	(1,564)	(3,672)
Total cash and cash equivalents	<u>4,224</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 31 December 2014, the Group do not held any financial assets or liabilities that are measured at fair value.

16 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

There were no issuance or re-purchase of ordinary shares during the financial period ended 31 December 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	31 Dec 2014	31 Dec 2013
	RM'000	RM'000
Short term borrowing (secured)		
Bank overdrafts	1,564	3,672
Trade bills	37,384	43,941
Hire purchase payables	2,545	1,090
Term loan	649	2,486
	<u>42,142</u>	<u>51,189</u>
Long term borrowing (secured)		
Hire purchase payables	4,263	2,686
Term loan	1,043	5,048
	<u>5,306</u>	<u>7,734</u>
Total borrowing	<u>47,448</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	
	31-Dec 2014	31-Dec 2013
	RM'000	RM'000
Approved and contracted for:		
Purchase of property, plant & equipment	107	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 12-month period ended 31 December 2014 and 31 December 2013 as well as the balances with the related parties as at 31 December 2014 and 31 December 2013:

	Transactions with related parties 12 months ended		Amounts owed by related parties As At		Amounts due to related parties As At	
	31 Dec 2014	31 Dec 2013	31-Dec 2014	31-Dec 2013	31-Dec 2014	31-Dec 2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of carton boxes #						
Perfect Food Manufacturing (M) Sdn. Bhd. *	5,939	4,992	729	616	-	-
Greatbrand Food Industries Sdn. Bhd. *	1,679	1,318	200	180	-	-
STH Wire Industry (M) Sdn. Bhd. @	53	66	2	2	-	-
Purchase of raw material						
STH Wire Industry (M) Sdn. Bhd. @	445	360	-	-	60	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 RM65.475 million and profit before tax of RM2.491 million in the current quarter ended 31 December 2014. The revenue was reduced by RM2.33 million or 3.44% compared with the preceding year corresponding quarter. Profit before tax was reduced by RM0.962 million or 27.86% compared with the preceding year corresponding quarter. The decrease in revenue and profit before tax was mainly due to lower sales volume and higher operating costs.

25 COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

For the quarter under review, the Group recorded a revenue of RM65.475 million as compared to revenue of RM67.832 million in the immediate preceding quarter, representing a decrease in turnover of RM2.357. The decrease in revenue and profit before tax was mainly due to lower sales volume and higher operating costs.

26 COMMENTARY ON PROSPECTS

The Group is expecting to operate under challenging environment with market uncertainty and rising operating costs.

However, the Board is confident that the Group will still continue to register satisfactory performance with committed effort to achieve efficiency in productivity and strategy to contain cost-overflow.

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, except that the Court of Appeal had ordered a wholly-owned subsidiary of the company, Ornapaper Industry (M) Sdn. Bhd. to recognise the Paper and Paper Products Manufacturing Employees Union.

32 DIVIDEND PAYABLE

Refer to note 19 for details.

33 RATIONALE FOR ENTERING INTO DERIVATIVES

Type of Derivatives	Contract No.	Contract Value	Fair Value
		USD'000	RM'000
RHB Islamic Bank Berhad			
Fixed forward contract - less than 1 year	169534	150	525
Fixed forward contract - less than 1 year	169537	150	525
Maybank			
Fixed forward contract - less than 1 year	FS1145247	300	1050
Fixed forward contract - less than 1 year	FS1145242	96	336

34 RATIONALE FOR ENTERING INTO DERIVATIVES

The Group had entered two fixed forward contracts with RHB Islamic Bank Berhad & two fixed forward contracts with Maybank. The RHB contracts was contracted on 17 December 2014 and will expire on 23 February 2015 and 19 March 2015 respectively while the Maybank contracts was contracted on 17 December 2014 and will expire on 20 January 2015 and 23 February 2015 respectively. 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

	Maybank	Maybank	RHB	RHB
Contract no.:	FS1145247	FS1145242	169534	169537
Rate contracted:	3.5189	3.5089	3.5145	3.5145
Balances as at 31 December 2014 (In USD):	300,000	96,492	150,000	150,000
Rate as at 31 December 2014	3.5000	3.5000	3.4980	3.4980
Gain / (Loss) on fair value changes of derivatives (In RM)	(5,670)	(859)	(2,475)	(2,475)

37 BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

Total retained profits of Ornapaper Berhad and it's subsidiaries:

	As At	
	31-Dec-14	31-Dec-13
	RM'000	RM'000
- Realised	94,311	85,526
- Unrealised	(7,106)	(4,970)
	<u>87,205</u>	<u>80,556</u>
Less : Consolidation adjustments	(41,106)	(44,082)
Total Group retained profits as per consolidated accounts	<u>46,099</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 13 February 2015.