

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2015**

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		31-Mar-2015	31-Mar-2014	31-Mar-2015	31-Mar-2014
		RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue		58,082	65,422	58,082	65,422
Cost of sales		(46,383)	(52,847)	(46,383)	(52,847)
Gross profit		11,699	12,575	11,699	12,575
Other items of income					
- Interest income		12	6	12	6
- Other income		488	168	488	168
Other items of expense					
- Administrative and other expenses		(8,539)	(8,731)	(8,539)	(8,731)
- Interest expense		(728)	(814)	(728)	(814)
Profit from continuing operations, before tax	8	2,932	3,204	2,932	3,204
Income tax expense	9	(546)	(518)	(546)	(518)
Profit from continuing operations, net of tax		2,386	2,686	2,386	2,686
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		2,386	2,686	2,386	2,686
Profit from continuing operation, net of tax, attributable to:					
Owners of the parent		2,317	2,616	2,317	2,616
Non-controlling interests		69	70	69	70
		2,386	2,686	2,386	2,686
Earnings per share attributable to owners of the parent (sen per share):					
- Basic	10	3.12	3.53	3.12	3.53
- Diluted	10	3.12	3.53	3.12	3.53

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 MARCH 2015

	Note	As At 31-Mar-2015 RM'000	As At 31-Dec-2014 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	101,424	103,805
Land use rights		4,129	4,161
Goodwill	12	1,633	1,633
Deferred tax assets		1,233	1,147
		<u>108,419</u>	<u>110,746</u>
Current assets			
Inventories	13	39,784	32,667
Trade receivables		50,325	56,271
Other receivables		3,543	3,886
Other current assets		1,974	1,109
Tax recoverable		295	251
Cash and bank balances	14	17,058	9,940
		<u>112,979</u>	<u>104,124</u>
Assets held for sale		-	-
		<u>112,979</u>	<u>104,124</u>
TOTAL ASSETS		<u>221,398</u>	<u>214,870</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		48,434	46,117
		<u>134,300</u>	<u>131,983</u>
Non-controlling interests		967	966
TOTAL EQUITY		<u>135,267</u>	<u>132,949</u>
Non-current liabilities			
Loans and borrowings	17	4,070	5,251
Deferred tax liabilities		8,418	8,081
		<u>12,488</u>	<u>13,332</u>
Current liabilities			
Loans and borrowings	17	49,888	42,197
Trade payables		17,971	17,367
Other payables		5,615	8,869
Income tax payable		169	156
Derivatives liabilities		-	-
		<u>73,643</u>	<u>68,589</u>
TOTAL LIABILITIES		<u>86,131</u>	<u>81,921</u>
TOTAL EQUITY AND LIABILITIES		<u>221,398</u>	<u>214,870</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>1.78</u>	<u>1.75</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 3-MONTH PERIOD ENDED 31 MARCH 2015**

	3 months ended	
	31-Mar-2015	31-Mar-2014
	RM'000	RM'000
Operating activities		
Profit before taxation	2,931	3,204
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	2,993	2,667
- Land use right	33	33
Property, plant and equipment written off	3	245
Reversal of impairment loss on trade receivable	(200)	-
Net gain on disposal of property, plant and equipment	(9)	(51)
Bad debts recovered	-	(2)
Loss on fair value changes of derivatives	-	3
Interest expense	728	814
Interest income	(12)	(6)
Operating cash flows before changes in working capital	<u>6,467</u>	<u>6,907</u>
Increase in inventories	(7,118)	(3,335)
Decrease / (Increase) in trade and other receivables	5,627	(1,940)
Decrease in trade and other payables	(2,652)	(1,931)
Cash generated from operation	<u>2,324</u>	<u>(299)</u>
Interest paid	(728)	(814)
Interest income	12	6
Taxes paid	(325)	(280)
Net cash flows from operating activities	<u>1,283</u>	<u>(1,387)</u>
Investing activities		
Purchase of property, plant and equipment	(646)	(4,685)
Proceeds from disposal of property, plant and equipment	40	76
Increased in deposit with a licensed bank	-	-
Net cash flows used in investing activities	<u>(606)</u>	<u>(4,609)</u>
Financing activities		
Drawdown of hire purchase	-	5,560
Repayment of term loan	(186)	(610)
Repayment of hire purchase	(1,550)	(734)
Increase in short term borrowings	9,557	463
Purchase of treasury shares	-	-
Dividend paid	(68)	-
Net cash flows used in financing activities	<u>7,753</u>	<u>4,679</u>
Net increase/(decrease) in cash and cash equivalents	8,430	(1,317)
Cash and cash equivalents at 1 January	14 4,223	3,806
Cash and cash equivalents at 31 March	14 <u>12,653</u>	<u>2,489</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 3-MONTH PERIOD ENDED 31 MARCH 2015**

	<----- Attributable to owners of the parent ----->						
	< ----- Non Distributable ----- >			Distributable		Non-	Total
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	controlling interests RM'000	Equity RM'000
Period ended 31 March 2015							
As at 1 Jan 2015	75,251	11,156	(541)	46,117	131,983	966	132,949
Dividend paid to non-controlling interest	-	-	-	-	-	(68)	(68)
Total comprehensive income for the period	-	-	-	2,317	2,317	69	2,386
As at 31 March 2015	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>48,434</u>	<u>134,300</u>	<u>967</u>	<u>135,267</u>
Period ended 31 March 2014							
As at 1 Jan 2014	75,251	11,156	(541)	36,474	122,340	898	123,238
Purchase of treasury shares	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	2,616	2,616	70	2,686
As at 31 March 2014	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>39,090</u>	<u>124,956</u>	<u>968</u>	<u>125,924</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 20 May 2015.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the period ended 31 March 2015, 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 2014 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 2014.

3 SIGNIFICANT ACCOUNTING POLICIES

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

Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
 Annual Improvements to MFRSs 2010–2012 Cycle
 Annual Improvements to MFRSs 2011–2013 Cycle

Adoption of the above standards 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 intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual period beginning on or after
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 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 directors expect that 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 Mar		3 Months Ended 31 Mar	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant & equipment	2,993	2,667	2,993	2,667
Amortisation of prepaid lease payments	33	33	33	33
Reversal of impairment loss on trade receivable	(200)	-	(200)	-
Bad debts written off	-	-	-	-
Bad debts recovered	(6)	(2)	(6)	(2)
Gain on disposal of property, plant and equipment	(9)	(51)	(9)	(51)
Property, plant & equipment written off	3	245	3	245
(Gain) / loss on foreign exchange - realised	(117)	0.6	(117)	0.6
(Gain) / loss on fair value changes of derivatives	-	3	-	3

9 INCOME TAX EXPENSE

	3 Months Ended 31 Mar		3 Months Ended 31 Mar	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Current tax	(295)	(268)	(295)	(268)
Deferred tax	(251)	(250)	(251)	(250)
	<u>(546)</u>	<u>(518)</u>	<u>(546)</u>	<u>(518)</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 Mar		3 Months Ended 31 Mar	
	2015	2014	2015	2014
	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>74,153</u>	<u>74,153</u>	<u>74,153</u>
Net profit attributable to ordinary equity holders of the parent (RM'000)	<u>2,317</u>	<u>2,616</u>	<u>2,317</u>	<u>2,616</u>
Basic earnings per share (Sen)	<u>3.12</u>	<u>3.53</u>	<u>3.12</u>	<u>3.53</u>
Diluted earnings per share (Sen)	<u>3.12</u>	<u>3.53</u>	<u>3.12</u>	<u>3.53</u>

11 PROPERTY, PLANT AND EQUIPMENT

During the period ended 31 March 2015, assets with a carrying amount of RM31,748 (2014:RM24,167) were disposed off by the Group resulting in a net gain on disposal of RM8,502 (2014:gain of RM51,392), 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 2014.

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

13 INVENTORIES

During the three months ended 31 March 2015, there were no write-down of inventories.

14 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

	31 Mar 2015 RM'000	31 Dec 2014 RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	12,905	5,787
Short term deposits with licensed banks	4,153	4,153
Cash and bank balances	17,058	9,940
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	12,905	5,787
Bank overdrafts	(252)	(1,564)
Total cash and cash equivalents	12,653	4,223

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 March 2015, 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 March 2015.

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 Mar 2015 RM'000	31 Dec 2014 RM'000
Short term borrowing (secured)		
Bank overdrafts	253	1,564
Trade bills	46,941	37,385
Hire purchase payables	2,086	2,584
Term loan	608	664
	49,888	42,197
Long term borrowing (secured)		
Hire purchase payables	3,172	4,224
Term loan	898	1,027
	4,070	5,251
Total borrowing	53,958	47,448

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-Mar 2015 RM'000	31-Dec 2014 RM'000
Approved and contracted for:		
Purchase of property, plant & equipment	251	164
	251	164

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 3-month period ended 31 March 2015 and 31 December 2014 as well as the balances with the related parties as at 31 March 2015 and 31 December 2014:

	Transactions with related parties 3 months ended		Amounts owed by related parties As At		Amounts due to related parties As At	
	31 Mar 2015	31 Mar 2014	31-Mar 2015	31-Dec 2014	31-Mar 2015	31-Dec 2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of carton boxes #						
Perfect Food Manufacturing (M) Sdn. Bhd. *	1,448	1,106	587	729	-	-
Greatbrand Food Industries Sdn. Bhd. *	571	260	242	200	-	-
STH Wire Industry (M) Sdn. Bhd. @	12	18	5	2	-	-
Purchase of raw material						
STH Wire Industry (M) Sdn. Bhd. @	98	142	-	-	68	60

* 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 RM58.082 million and profit before tax of RM2.932 million in the current quarter ended 31 March 2015. The revenue was reduced by RM7.34 million or 11.22% compared with the preceding year corresponding quarter. Profit before tax was reduced by RM0.272 million or 8.49% compared with the preceding year corresponding quarter. The decrease in revenue and profit before tax was mainly due to lower sales volume.

25 COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

For the quarter under review, the Group recorded a revenue of RM58.082 million as compared to revenue of RM65.475 million in the immediate preceding quarter, representing a decrease in turnover of RM7.393. The decrease in revenue and profit before tax was mainly due to lower sales volume.

26 COMMENTARY ON PROSPECTS

The Group continue to operate under intense competition market environment. The management foresee a reasonable performance for the Group in the remaining quarters.

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 DISCLOSURE OF NATURE OF OUTSTANDING DERIVATIVES

Type of Derivatives	Contract No.	Contract Value	Fair Value
NONE		USD'000	RM'000

34 RATIONALE FOR ENTERING INTO DERIVATIVES

There was no outstanding foreign exchange contract for the period ended 31 March 2015.

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 denominated 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

There was no gain/loss arising from fair value changes of financial liabilities.

37 BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	As At	
	31-Mar-15	31-Dec-14
	RM'000	RM'000
- Realised	96,251	93,332
- Unrealised	(7,185)	(6,934)
	<u>89,066</u>	<u>86,398</u>
Less : Consolidation adjustments	(40,632)	(40,281)
Total Group retained profits as per consolidated accounts	<u>48,434</u>	<u>46,117</u>

38 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT

The auditors' report on the financial statements for the year ended 31 December 2014 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 20 May 2015.