

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		31 Mar 2016	31 Mar 2015	31 Mar 2016	31 Mar 2015
		RM'000	RM'000	RM'000	RM'000
Revenue		61,995	58,082	61,995	58,082
Cost of sales		(51,366)	(46,383)	(51,366)	(46,383)
Gross profit		10,629	11,699	10,629	11,699
Other items of income					
- Interest income		15	12	15	12
- Other income		151	488	151	488
Other items of expense					
- Administrative and other expenses		(8,374)	(8,539)	(8,374)	(8,539)
- Interest expense		(537)	(728)	(537)	(728)
Profit before tax	8	1,884	2,932	1,884	2,932
Income tax expense	9	(508)	(546)	(508)	(546)
Profit net of tax		1,376	2,386	1,376	2,386
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		1,376	2,386	1,376	2,386
Profit net of tax, attributable to:					
Owners of the parent		1,345	2,317	1,345	2,317
Non-controlling interests		31	69	31	69
		1,376	2,386	1,376	2,386
Earnings per share attributable to owners of the parent (sen per share):					
- Basic		1.81	3.12	1.81	3.12
- Diluted		1.81	3.12	1.81	3.12

These condensed consolidated statement 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 2016

	Note	31 Mar 2016 RM'000	31 Dec 2015 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	95,897	97,502
Land use rights		3,999	4,031
Goodwill	12	1,633	1,633
Deferred tax assets		802	1,872
		<u>102,331</u>	<u>105,038</u>
Current assets			
Inventories	13	38,642	35,840
Trade receivables		57,257	59,411
Other receivables		2,136	785
Other current assets		3,846	965
Tax recoverable		583	640
Held-to-maturity investment		3,743	3,740
Cash and bank balances	14	7,081	5,835
Derivatives asset		-	7
		<u>113,288</u>	<u>107,223</u>
TOTAL ASSETS		<u>215,619</u>	<u>212,261</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		52,648	51,303
		<u>138,514</u>	<u>137,169</u>
Non-controlling interests		<u>1,077</u>	<u>1,046</u>
TOTAL EQUITY		<u>139,591</u>	<u>138,215</u>
Non-current liabilities			
Loans and borrowings	17	669	858
Defferred tax liabilities		9,084	10,066
		<u>9,753</u>	<u>10,924</u>
Current liabilities			
Loans and borrowings	17	41,197	35,830
Trade payables		19,496	19,802
Other payables		5,172	7,442
Income tax payable		193	48
Derivatives liabilities		217	-
		<u>66,275</u>	<u>63,122</u>
TOTAL LIABILITIES		<u>76,028</u>	<u>74,046</u>
TOTAL EQUITY AND LIABILITIES		<u>215,619</u>	<u>212,261</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>1.84</u>	<u>1.82</u>

These condensed consolidated statement 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 THREE MONTH PERIOD ENDED 31 MARCH 2016**

	3 months ended	
	31-Mar-2016 RM'000	31-Mar-2015 RM'000
Operating activities		
Profit before taxation	1,884	2,932
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	2,946	2,993
- Land use right	33	33
Property, plant and equipment written off	-	3
Reversal of impairment loss on trade or other receivable	-	(200)
Net gain on disposal of property, plant and equipment	(2)	(9)
Loss on fair value changes of derivatives	224	-
Interest expense	537	728
Interest income	(14)	(12)
Operating cash flows before changes in working capital	<u>5,608</u>	<u>6,468</u>
Increase in inventories	(2,802)	(7,118)
(Increase) / decrease in trade and other receivables	(2,075)	5,627
Decrease in trade and other payables	(2,576)	(2,652)
Cash (used in)/generated from operation	<u>(1,845)</u>	<u>2,325</u>
Interest paid	(537)	(728)
Interest income	14	12
Taxes paid	(220)	(325)
Net cash flows (used in)/from operating activities	<u>(2,588)</u>	<u>1,284</u>
 Investing activities		
Purchase of property, plant and equipment	(1,361)	(646)
Proceeds from disposal of property, plant and equipment	19	40
Increase in deposit with a licensed bank	(3)	-
Net cash flows used in investing activities	<u>(1,345)</u>	<u>(606)</u>
 Financing activities		
Repayment of term loan	(115)	(186)
Repayment of hire purchase	(140)	(1,550)
Increased in short term borrowings	4,438	9,557
Dividend paid	-	(68)
Net cash flows generated from financing activities	<u>4,183</u>	<u>7,753</u>
 Net increase in cash and cash equivalents	250	8,431
 Cash and cash equivalents at 1 January	14 <u>2,850</u>	14 <u>4,223</u>
Cash and cash equivalents at 31 March	14 <u>3,100</u>	14 <u>12,654</u>

These condensed consolidated statement 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 THREE MONTH PERIOD ENDED 31 MARCH 2016**

<----- 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
Period ended 31 March 2016							
As at 1 Jan 2016	75,251	11,156	(541)	51,303	137,169	1,046	138,215
Total comprehensive income for the period	-	-	-	1,345	1,345	31	1,376
As at 31 March 2016	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>52,648</u>	<u>138,514</u>	<u>1,077</u>	<u>139,591</u>
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>

These condensed consolidated statement 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 27 May 2016.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the period ended 31 March 2016, 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 2015 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 2015.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015, except for the adoption of the following Malaysian Financial Reporting Standards ("MFRSs") which became effective for annual periods beginning on 1 January 2016.

Annual Improvements to MFRSs 2012 - 2014 Cycle
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 127: Equity Method in Separate Financial Statements
Amendments to MFRS 101: Disclosure Initiatives
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
MFRS 14 Regulatory Deferral Accounts

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
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
MFRS 9 Financial Instruments	01-Jan-18 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant & equipment	2,946	2,993	2,946	2,993
Amortisation of prepaid lease payments	33	33	33	33
Reversal of impairment loss on trade receivable	-	(200)	-	(200)
Bad debts recovered	-	(6)	-	(6)
Gain on disposal of property, plant and equipment	(2)	(9)	(2)	(9)
Property, plant & equipment written off	-	3	-	3
Loss/(Gain) on foreign exchange - realised	7	(117)	7	(117)
Loss on fair value changes of derivatives	224	-	224	-

9 INCOME TAX EXPENSE

	3 Months Ended 31 Mar		3 Months Ended 31 Mar	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current tax	(421)	(295)	(421)	(295)
Deferred tax	(87)	(251)	(87)	(251)
	<u>(508)</u>	<u>(546)</u>	<u>(508)</u>	<u>(546)</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	
	2016	2015	2016	2015
	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>1,345</u>	<u>2,317</u>	<u>1,345</u>	<u>2,317</u>
Basic earnings per share (Sen)	<u>1.81</u>	<u>3.12</u>	<u>1.81</u>	<u>3.12</u>
Diluted earnings per share (Sen)	<u>1.81</u>	<u>3.12</u>	<u>1.81</u>	<u>3.12</u>

11 PROPERTY, PLANT AND EQUIPMENT

During the period ended 31 March 2016, assets with a carrying amount of RM17,654 (2015:RM31,748) were disposed off by the Group resulting in a net gain on disposal of RM2,000 (2015:Gain of RM8,502), 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 2015.

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

13 INVENTORIES

During the 3 months ended 31 March 2016, there were no write-down of inventories.

14 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

	31 Mar 2016 RM'000	31 Dec 2015 RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	7,081	5,835
Short term deposits with licensed banks	3,743	3,740
Cash and bank balances	<u>10,824</u>	<u>9,575</u>

Condensed consolidated statement of cash flows:

Cash at bank and in hand	7,081	5,835
Bank overdrafts	(3,981)	(2,985)
Total cash and cash equivalents	<u>3,100</u>	<u>2,850</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 March 2016, the Group held the following financial liabilities 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	-	217	-

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 2016.

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 2016 RM'000	31 Dec 2015 RM'000
Short term borrowing (secured)		
Bank overdrafts	3,981	2,985
Trade bills	36,342	31,904
Hire purchase payables	412	472
Term loan	462	469
	<u>41,197</u>	<u>35,830</u>
Long term borrowing (secured)		
Hire purchase payables	158	239
Term loan	511	619
	<u>669</u>	<u>858</u>
Total borrowing	<u>41,866</u>	<u>36,688</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-Mar 2016 RM'000	31-Dec 2015 RM'000
Approved and contracted for:		
Purchase of property, plant & equipment	<u>1,244</u>	<u>494</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 3-month period ended 31 March 2016 and 31 March 2015 as well as the balances with the related parties as at 31 March 2016 and 31 December 2015:

	Transactions with related parties		Amounts owed by related parties		Amounts due to related parties	
	12 months ended		As At		As At	
	31 Mar 2016	31 Mar 2015	31-Mar 2016	31-Dec 2015	31-Mar 2016	31-Dec 2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of carton boxes & stationery products #						
Perfect Food Manufacturing (M) Sdn. Bhd. *	1,590	1,448	1,686	2,254	-	-
Greatbrand Food Industries Sdn. Bhd. *	727	571	770	564	-	-
STH Wire Industry (M) Sdn. Bhd. @	12	12	6	4	-	-
Purchase of raw material #						
STH Wire Industry (M) Sdn. Bhd.	125	98	-	-	94	67
Factory rental						
Perfect Food Manufacturing (M) Sdn. Bhd.	60	-	-	-	21	20

* 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 RM61.995 million and profit before tax of RM1.884 million in the current quarter ended 31 March 2016. The revenue was increased by RM3.913 million or 6.74% compared with the preceding year corresponding quarter. Profit before tax was reduced by RM1.048 million or 35.74% compared with the preceding year corresponding quarter. The decrease in profit before tax was mainly due to higher raw material and production costs.

25 COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

For the quarter under review, the Group recorded a revenue of RM61.995 million as compared to revenue of RM63.600 million in the immediate preceding quarter, representing a decrease in turnover of RM1.605 million. However, the profit before tax increased from RM1.693 million to RM1.884 million which was mainly due to lower administrative cost.

26 COMMENTARY ON PROSPECTS

The Group continues 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 for a trade dispute over the Collective Agreement between a wholly-owned subsidiary, Ormapaper Industry (M) Sdn. Bhd. and the Paper and Paper Products Manufacturing Employee's Union that was referred to the Industrial Court.

The Industrial Court has fixed this matter for mention on 25 July 2016. The Board of Directors believe that there will not have unfavorable outcome from the dispute. Hence, no provision is provided for as at the reporting date.

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	Book Date	Expiry Date
		USD'000	RM'000		
RHB Islamic Bank Berhad					
Fixed forward contract - less than 1 year	216261	5	20	29.1.16	3.5.16
Fixed forward contract - less than 1 year	216148	500	2020	29.1.16	3.6.16
Fixed forward contract - less than 1 year	216326	600	2423	2.2.16	4.5.16
Fixed forward contract - less than 1 year	221316	200	808	16.3.16	18.4.16
Fixed forward contract - less than 1 year	221582	100	404	17.3.16	21.4.16

34 RATIONALE FOR ENTERING INTO DERIVATIVES

The Group had entered five fixed forward contracts with RHB Islamic Bank Berhad where the details were stated in Note 33. 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 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

Contract no.:	216261	216148	216326	221316	221582
Rate contracted:	4.1760	4.1975	4.2245	4.1360	4.0995
Balances as at 31 March 2016 (In USD):	4,717	500,000	600,000	200,000	100,000
Rate as at 31 March 2016	4.0390	4.0390	4.0390	4.0390	4.0390
Gain / (Loss) on fair value changes of derivatives (In RM)	(646)	(79,250)	(111,300)	(19,400)	(6,050)

37 BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	As At	
	31-Mar-16	31-Dec-15
	RM'000	RM'000
- Realised	101,385	99,891
- Unrealised	(8,282)	(8,175)
	93,103	91,716
Less : Consolidation adjustments	(40,455)	(40,413)
Total Group retained profits as per consolidated accounts	52,648	51,303

38 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT

The auditors' report on the financial statements for the year ended 31 December 2015 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 27 May 2016.