

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 31 MARCH 2017**

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		31 Mar 2017 RM'000	31 Mar 2016 RM'000	31 Mar 2017 RM'000	31 Mar 2016 RM'000
Revenue		71,523	61,995	71,523	61,995
Cost of sales		(58,155)	(51,366)	(58,155)	(51,366)
Gross profit		13,368	10,629	13,368	10,629
Other items of income					
- Interest income		10	15	10	15
- Other income		274	151	274	151
Other items of expense					
- Administrative and other expenses		(9,549)	(8,374)	(9,549)	(8,374)
- Interest expense		(653)	(537)	(653)	(537)
Profit before tax	8	3,450	1,884	3,450	1,884
Income tax expense	9	(559)	(508)	(559)	(508)
Profit net of tax		2,891	1,376	2,891	1,376
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		2,891	1,376	2,891	1,376
Profit net of tax, attributable to:					
Owners of the parent		2,788	1,345	2,788	1,345
Non-controlling interests		103	31	103	31
		2,891	1,376	2,891	1,376
Earnings per share attributable to owners of the parent (sen per share):					
- Basic		3.76	1.81	3.76	1.81
- Diluted		3.76	1.81	3.76	1.81

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 2017

	Note	31 Mar 2017 RM'000	31 Dec 2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	99,330	97,119
Land use rights		5,404	5,437
Goodwill	12	1,633	1,633
Deferred tax assets		568	428
		<u>106,935</u>	<u>104,617</u>
Current assets			
Inventories	13	40,213	37,256
Trade receivables		67,534	66,688
Other receivables		684	1,160
Other current assets		4,257	5,100
Tax recoverable		716	735
Held-to-maturity investment	14	3,847	4,347
Cash and bank balances	14	12,365	8,620
Derivatives asset		12	6
		<u>129,628</u>	<u>123,912</u>
		<u>236,563</u>	<u>228,529</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Equity			
Share capital	16	86,407	75,251
Share premium	16	-	11,156
Treasury shares	16	(541)	(541)
Retained earnings		59,636	56,848
		<u>145,502</u>	<u>142,714</u>
Non-controlling interests		1,162	1,059
TOTAL EQUITY		<u>146,664</u>	<u>143,773</u>
Non-current liabilities			
Loans and borrowings	17	959	368
Deferred tax liabilities		8,652	8,652
		<u>9,611</u>	<u>9,020</u>
Current liabilities			
Loans and borrowings	17	50,049	48,343
Trade payables		21,679	18,983
Other payables		8,215	8,278
Income tax payable		345	132
		<u>80,288</u>	<u>75,736</u>
		<u>89,899</u>	<u>84,756</u>
TOTAL LIABILITIES		<u>89,899</u>	<u>84,756</u>
TOTAL EQUITY AND LIABILITIES		<u>236,563</u>	<u>228,529</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>1.93</u>	<u>1.90</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 PERIOD ENDED 31 MARCH 2017			
		3 months ended	
		31-Mar-2017	31-Mar-2016
		RM'000	RM'000
Operating activities			
Profit before taxation		3,450	1,884
Adjustments for:			
Depreciation and amortisation :			
- Property, plant & equipment		3,125	2,946
- Land use right		33	33
Property, plant and equipment written off		1	-
Gain on disposal of property, plant and equipment		(55)	(2)
Unrealised loss on foreign exchange		9	-
(Gain) / loss on fair value changes of derivatives		(6)	224
Interest expense		653	537
Interest income		(10)	(15)
Operating cash flows before changes in working capital		7,200	5,607
Increase in inventories		(2,957)	(2,802)
Increase in trade and other receivables		(370)	(7,092)
Decrease in other current assets		843	5,017
Increase / (Decrease) in trade and other payables		2,633	(2,576)
Cash generated from operation		7,349	(1,846)
Interest paid		(653)	(537)
Taxes paid		(467)	(220)
Net cash flows from / (used in) operating activities		6,229	(2,603)
Investing activities			
Purchase of property, plant and equipment		(5,370)	(1,361)
Proceeds from disposal of property, plant and equipment		88	19
Interest received		10	15
Decrease / (Increase) in deposit with a licensed bank		500	(3)
Net cash flows used in investing activities		(4,772)	(1,330)
Financing activities			
Drawdown of term loan		1,000	-
Repayment of term loan		(160)	(115)
Repayment of hire purchase		(82)	(140)
Increase in short term borrowings		3,678	4,438
Net cash flows generated from financing activities		4,436	4,183
Net increase in cash and cash equivalents		5,893	250
Effect of exchange rate changes on cash & cash equivalents		(9)	
Cash and cash equivalents at 1 January	14	6,407	2,850
Cash and cash equivalents at 31 March	14	12,291	3,100
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 PERIOD ENDED 31 MARCH 2017**

	<----- 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
As at 1 Jan 2017	75,251	11,156	(541)	56,848	142,714	1,059	143,773
Total comprehensive income for the period	-	-	-	2,788	2,788	103	2,891
As at 31 Mar 2017	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>59,636</u>	<u>145,502</u>	<u>1,162</u>	<u>146,664</u>
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 Mar 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>

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 24 May 2017.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the year ended 31 March 2017, 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 2016 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 2016.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016, except for the adoption of the following Malaysian Financial Reporting Standards ("MFRSs") which became effective for annual periods beginning on 1 January 2017.

Annual Improvements to MFRSs 2014 - 2016 Cycle
MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)
MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)

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 periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	01-Jan-18
MFRS 15 Revenue from Contracts with Customers	01-Jan-18
MFRS 9 Financial Instruments	01-Jan-18
MFRS 140 Transfer of Investment Property (Amendments to MFRS 140)	01-Jan-18
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	01-Jan-18
MFRS 16 Leases	01-Jan-19
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant & equipment	3,125	2,946	3,125	2,946
Amortisation of land use right	33	33	33	33
Gain on disposal of property, plant and equipment	(55)	(2)	(55)	(2)
Property, plant & equipment written off	1	-	1	-
(Gain) / loss on foreign exchange - realised	(65)	7	(65)	7
Loss on foreign exchange - unrealised	9	-	9	-
(Gain) / loss on fair value changes of derivatives	(6)	224	(6)	224

9 INCOME TAX EXPENSE

	3 Months Ended 31 Mar		3 Months Ended 31 Mar	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax	(419)	(421)	(419)	(421)
Deferred tax	(140)	(87)	(140)	(87)
	<u>(559)</u>	<u>(508)</u>	<u>(559)</u>	<u>(508)</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	
	2017	2016	2017	2016
	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>2,788</u>	<u>1,345</u>	<u>2,788</u>	<u>1,345</u>
Basic earnings per share (Sen)	<u>3.76</u>	<u>1.81</u>	<u>3.76</u>	<u>1.81</u>
Diluted earnings per share (Sen)	<u>3.76</u>	<u>1.81</u>	<u>3.76</u>	<u>1.81</u>

11 PROPERTY, PLANT AND EQUIPMENT

During the period ended 31 March 2017, assets with a carrying amount of RM33,105 (2016:RM17,654) were disposed off by the Group resulting in a net gain on disposal of RM54,895 (2016:gain of RM2,000), 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 2016.

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

13 INVENTORIES

During the period ended 31 March 2017, there were no write-down of inventories.

14 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

	31 Mar 2017 RM'000	31 Dec 2016 RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	12,365	8,620
Short term deposits with licensed banks	3,847	4,347
Cash and bank balances	<u>16,212</u>	<u>12,967</u>
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	12,365	8,620
Bank overdrafts	(74)	(2,213)
Total cash and cash equivalents	<u>12,291</u>	<u>6,407</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.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Assets measured at fair value:			
Derivative assets	-	12	-

16 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	31 Mar 2017 RM'000	31 Dec 2016 RM'000
<u>Share capital</u>		
Balance as at 1 Jan 2017/ 2016	75,251	75,251
Transfer from share premium accounts	11,156	-
Balance as at 31 Mar 2017/ 31 Dec 2016	<u>86,407</u>	<u>75,251</u>

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Section 74 of the Act states that all shares issued before or after 31 January 2017 shall have no par or nominal value. Section 618(2) of the Act states that upon the commencement of Section 74, the share premium account and capital redemption reserve shall become part of share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

There were no issuance or re-purchase of ordinary shares during the financial period ended 31 March 2017.

17 INTEREST-BEARING LOANS AND BORROWINGS

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

	31 Mar 2017 RM'000	31 Dec 2016 RM'000
Type of Borrowing		
Short term borrowing (secured)		
Bank overdrafts	74	2,213
Trade bills	49,245	45,567
Hire purchase payables	130	201
Term loan	600	362
	<u>50,049</u>	<u>48,343</u>

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Long term borrowing (secured)

Hire purchase payables	76	87
Term loan	883	281
	<u>959</u>	<u>368</u>
Total borrowing	<u>51,008</u>	<u>48,711</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

There were no dividends declared for the quarter under review.

20 CAPITAL COMMITMENTS

	31-Mar	31-Mar
	2017	2016
Approved and contracted for:	RM'000	RM'000
Purchase of property, plant & equipment	<u>42</u>	<u>1,244</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 year ended 31 March 2017 and 31 December 2016 as well as the balances with the related parties as at 31 March 2017 and 31 December 2016:

	Transactions with related parties		Amounts owed by related parties		Amounts due to related parties
	3 months ended		As At		As At
	31 Mar 2017	31 Dec 2016	31-Mar 2017	31-Dec 2016	31 Mar 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of carton boxes & stationery products #					
Perfect Food Manufacturing (M) Sdn. Bhd. *	1,782	8,093	2,686	2,549	-
Greatbrand Food Industries Sdn. Bhd. *	1,101	2,582	1,430	696	-
STH Wire Industry (M) Sdn. Bhd. @	50	60	16	12	-
Purchase of raw material #					
STH Wire Industry (M) Sdn. Bhd.	121	442	-	-	93
Factory rental					
Perfect Food Manufacturing (M) Sdn. Bhd.	-	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 RM71.523 million and profit before tax of RM3.450 million in the current quarter ended 31 Mar 2017. The revenue increased by RM9.528 million or 15.37% compared with the preceding year corresponding quarter due to stronger demand from customers. In line with the increase in turnover, profit before tax was increased by RM1.566 million or 83.12% compared with the preceding year corresponding quarter.

25 COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

For the quarter under review, the Group recorded a revenue of RM71.523 million as compared to revenue of RM71.568 million in the immediate preceding quarter, representing a decrease in turnover of RM0.045 million. Despite of decrease in turnover, the profit before tax increased from RM1.519 million to RM3.450 million which was mainly due to increase in selling price.

26 COMMENTARY ON PROSPECTS

The Group continues to operate under intense competition market environment. The Management foresees a reasonable performance for year 2017 as compared to year 2016 with the business strategies implemented.

27 COMMENTARY ON PROGRESS TO ACHIEVE REVENUE OR PROFIT ESTIMATE, FORECAST, PROJECTION OR INTERNAL
 Not applicable

28 STATEMENT BY DIRECTORS ON ACHIEVABILITY OF REVENUE OR PROFIT ESTIMATE, FORCAST, PROJECTION OR
 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, Ornapaper Industry (M) Sdn. Bhd. and the Paper and Paper Products Manufacturing Employee's Union that was referred to the Industrial Court.

The matter has been fixed for Case Management on 15/08/2017 and has fixed for Hearing on the 05/02/2018, 06/02/2018 and 07/02/2018. 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		
Bangkok Bank Berhad					
Fixed forward contract - less than 1 year	FFCB160008F	100	442	8.12.16	1.6.17
Fixed forward contract - less than 1 year	FFCB160002F	100	442	2.2.17	6.6.17
Fixed forward contract - less than 1 year	FFCB170001F	200	884	2.2.17	8.5.17

34 RATIONALE FOR ENTERING INTO DERIVATIVES

The Group had entered three fixed forward contracts with Bangkok 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 export sales proceeds.

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.:	FFCB160008F	FFCB160002F	FFCB170001F
Rate contracted:	4.4415	4.4528	4.4490
Balances as at 31 March 2017 (In USD):	100,000	100,000	200,000
Rate as at 31 March 2017	4.4190	4.4190	4.4190
Gain on fair value changes of derivatives (In RM)	2,250	3,380	6,000

37 BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	31-Mar-17	31-Dec-16
	RM'000	RM'000
- Realised	108,310	105,471
- Unrealised	<u>(8,081)</u>	<u>(8,145)</u>
	100,229	97,326
Less : Consolidation adjustments	<u>(40,593)</u>	<u>(40,478)</u>
otal Group retained earnings as per consolidated accoun	<u>59,636</u>	<u>56,848</u>

38 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT

The auditors' report on the financial statements for the year ended 31 December 2016 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 24 May 2017.