

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE 3-MONTH PERIOD ENDED 31 MAR 2014**

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		31-Mar-2014 RM'000	31-Mar-2013 RM'000	31-Mar-2014 RM'000	31-Mar-2013 RM'000
Continuing operations					
Revenue		65,422	53,985	65,422	53,985
Cost of sales		(52,847)	(44,335)	(52,847)	(44,335)
Gross profit		12,575	9,650	12,575	9,650
Other items of income					
- Interest income		6	38	6	38
- Other income		168	324	168	324
Other items of expense					
- Administrative and other expenses		(8,731)	(7,389)	(8,731)	(7,389)
- Interest expense		(814)	(827)	(814)	(827)
Profit from continuing operations, before tax	8	3,204	1,796	3,204	1,796
Income tax expense	9	(518)	(234)	(518)	(234)
Profit from continuing operations, net of tax		2,686	1,562	2,686	1,562
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		2,686	1,562	2,686	1,562
Profit from continuing operation, net of tax, attributable to:					
Owners of the parent		2,616	1,522	2,616	1,522
Non-controlling interests		70	40	70	40
		2,686	1,562	2,686	1,562
Earnings per share attributable to owners of the parent (sen per share):					
- Basic	10	3.53	2.05	3.53	2.05
- Diluted	10	3.53	2.05	3.53	2.05

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 MAR 2014

	Note	As At 31-Mar-2014 RM'000	As At 31-Dec-2013 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		103,905	101,980
Land use rights		4,259	4,292
Goodwill		1,633	1,633
Deferred tax assets		1,673	1,673
		<u>111,470</u>	<u>109,578</u>
Current assets			
Inventories		36,806	33,472
Trade receivables		60,936	59,566
Other receivables		1,265	1,264
Cash and bank balances		9,307	10,044
Tax recoverable		379	290
Other current assets		5,465	4,892
		<u>114,158</u>	<u>109,528</u>
TOTAL ASSETS		<u>225,628</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		39,090	36,474
		<u>124,956</u>	<u>122,340</u>
Non-controlling interests		968	898
TOTAL EQUITY		<u>125,924</u>	<u>123,238</u>
Non-current liabilities			
Loans and borrowings	17	11,212	7,734
Defferred tax liabilities		6,893	6,643
		<u>18,105</u>	<u>14,377</u>
Current liabilities			
Loans and borrowings	17	53,144	51,189
Trade payables		21,543	23,292
Other payables		6,734	6,913
Income tax payable		175	97
Derivatives liabilities		3	-
		<u>81,599</u>	<u>81,491</u>
TOTAL LIABILITIES		<u>99,704</u>	<u>95,868</u>
TOTAL EQUITY AND LIABILITIES		<u>225,628</u>	<u>219,106</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>1.66</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 3-MONTH PERIOD ENDED 31 MAR 2014**

	3 months ended	
	31-Mar-2014 RM'000	31-Mar-2013 RM'000
Operating activities		
Profit before taxation	3,204	1,811
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	2,667	2,270
- Land use right	33	57
Property, plant and equipment written off	245	11
Reversal of impairment loss on trade receivable	-	(99)
Net (gain) / loss on disposal of property, plant and equipment	(51)	(66)
Bad debts recoved	(2)	-
Bad debts written off	-	150
(Gain) / loss on fair value changes of derivatives	3	2
Interest expense	814	840
Interest income	(6)	(38)
Operating cash flows before changes in working capital	<u>6,907</u>	<u>4,938</u>
(Increase)/decrease in inventories	(3,335)	(10,224)
(Increase)/decrease in trade and other receivable	(1,940)	275
(Decrease)/increase in trade and other payable	(1,931)	6,757
Cash (used in)/generated from operation	<u>(299)</u>	<u>1,746</u>
Interest paid	(814)	(840)
Interest income	6	38
Taxes paid	(280)	(183)
Net cash flow (used in)/from operating activities	<u>(1,387)</u>	<u>761</u>
 Investing activities		
Purchase of property, plant and equipment	(4,685)	(3,774)
Proceeds from disposal of property, plant and equipment	76	45
Increased in deposit with a licensed bank	-	-
Net cash flows used in investing activities	<u>(4,609)</u>	<u>(3,729)</u>
 Financing activities		
Drawdown of hire purchase	5,560	1,437
Drawdown / (repayment) of term loan	(610)	(525)
Repayment of hire purchase	(734)	(572)
Increase / (decrease) in short term borrowings	463	434
Purchase of treasury shares	-	-
Net cash flows from financing activities	<u>4,679</u>	<u>774</u>
 Net decrease in cash and cash equivalents	<u>(1,317)</u>	<u>(2,194)</u>
 Cash and cash equivalents at 1 January	14 <u>3,806</u>	14 <u>17,217</u>
Cash and cash equivalents at 31 March	14 <u>2,489</u>	14 <u>15,023</u>

These condensed consolidated statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial reports.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE 3-MONTH PERIOD ENDED 31 MAR 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 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>
Period ended 31 March 2013							
As at 1 Jan 2013	75,251	11,156	(489)	28,442	114,360	757	115,117
Purchase of treasury shares	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,522	1,522	40	1,562
As at 31 March 2013	<u>75,251</u>	<u>11,156</u>	<u>(489)</u>	<u>29,964</u>	<u>115,882</u>	<u>797</u>	<u>116,679</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 2014.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the period ended 31 March 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 31 Mar		3 Months Ended 31 Mar	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant & equipment	2,667	2,270	2,667	2,270
Amortisation of prepaid lease payments	33	57	33	57
Reversal of impairment loss on trade receivable	-	(99)	-	(99)
Bad debts written off	-	150	-	150
Bad debts recovery	(2)	-	(2)	-
Loss / (gain) on disposal of property, plant and equipment	(51)	(66)	(51)	(66)
Property, plant & equipment written off	245	11	245	11
Loss / (gain) on foreign exchange - realised	0.6	(18)	0.6	(18)
Loss / (gain) on fair value changes of derivatives	3	2	3	2

9 INCOME TAX EXPENSE

	3 Months Ended 31 Mar		3 Months Ended 31 Mar	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current tax	(268)	(234)	(268)	(234)
Deferred tax	(250)	-	(250)	-
	<u>(518)</u>	<u>(234)</u>	<u>(518)</u>	<u>(234)</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. The effective tax rate for the current financial year was lower than the statutory tax rate principally due to the utilisation of reinvestment allowance.

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	
	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>2,616</u>	<u>1,522</u>	<u>2,616</u>	<u>1,522</u>
Basic earnings per share (Sen)	<u>3.53</u>	<u>2.05</u>	<u>3.53</u>	<u>2.05</u>
Diluted earnings per share (Sen)	<u>3.53</u>	<u>2.05</u>	<u>3.53</u>	<u>2.05</u>

11 PROPERTY, PLANT AND EQUIPMENT

During the period ended 31 Mar 2014, assets with a carrying amount of RM24,167 (2013:RM1,352) were disposed off by the Group resulting in a net gain on disposal of RM51,392 (2013:gain of RM65,898), 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 three months ended 31 Mar 2014, there were no write-down of inventories.

14 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

	31 Mar 2014 RM'000	31 Dec 2013 RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	6,741	7,478
Short term deposits with licensed banks	2,566	2,566
Cash and bank balances	<u>9,307</u>	<u>10,044</u>
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	6,741	7,478
Bank overdrafts	(4,252)	(3,672)
Total cash and cash equivalents	<u>2,489</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 March 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		3	

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 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 Mar 2014 RM'000	31 Dec 2013 RM'000
Short term borrowing (secured)		
Bank overdrafts	4,252	3,672
Trade bills	44,404	43,941
Hire purchase payables	2,368	1,090
Term loan	2,120	2,486
	<u>53,144</u>	<u>51,189</u>
Long term borrowing (secured)		
Hire purchase payables	6,411	2,686
Term loan	4,801	5,048
	<u>11,212</u>	<u>7,734</u>
Total borrowing	<u>64,356</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-Mar 2014 RM'000	31-Dec 2013 RM'000
Approved and contracted for:		
Purchase of property, plant & equipment	<u>4,894</u>	<u>838</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 2014 and 31 March 2013 as well as the balances with the related parties as at 31 March 2014 and 31 December 2013:

	Transactions with related parties 3 months ended		Amounts owed by related parties As At		Amounts due to related parties As At	
	31 Mar 2014	31 Mar 2013	31-Mar 2014	31-Dec 2013	31-Mar 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. *	1,106	833	514	616		
Greatbrand Food Industries Sdn. Bhd. *	260	359	101	180		
STH Wire Industry (M) Sdn. Bhd. @	18	-	6	2		-
Purchase of raw material						
STH Wire Industry (M) Sdn. Bhd. @	142	-	-	-	77	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 sales revenue increased by 21.19% and profit before tax increased by 78.40% as compared to the corresponding quarter. The significant increase in profit before tax was mainly due to increase in sales volume resulted from strong demand of the products.

25 COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group sales revenue reduced by 3.52% as compared to the preceeding quarter. This had resulted the Group recorded a lower profit before taxation of RM3.204 million as compared to the profit before taxation of RM3.589 million in the preceeding quarter.

26 COMMENTARY ON PROSPECTS

The operating environment continue to be challenging due to competitive business environment in the corrugated paper industry. The Group shall continue to focus on operating efficiency and is thus expected to remain profitable in the coming quarter.

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, FORCAST, 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
Maybank Target forward contract - less than 1 year	131	427

34 RATIONALE FOR ENTERING INTO DERIVATIVES

The Group had one target forward contract with Maybank which was contracted on 10 March 2014 and will expires on 18 June 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") and Euro. 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.:	190900
Rate contracted:	3.2850
Balances as at 31 March 2014 (In USD):	130,944
Rate as at 31 March 2014	3.2630
Gain / (Loss) on fair value changes of derivatives (In RM)	(2,881)

37 BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	As At	
	31-Mar-14	31-Dec-13
	RM'000	RM'000
- Realised	84,553	85,526
- Unrealised	(5,220)	(4,970)
	<u>79,333</u>	<u>80,556</u>
Less : Consolidation adjustments	(40,243)	(44,082)
Total Group retained profits / (accumulated losses) as per consolidated accounts	<u>39,090</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 20 May 2014.