

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2015**

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30-Sep-2015 RM'000	30-Sep-2014 RM'000	30-Sep-2015 RM'000	30-Sep-2014 RM'000
<b>Continuing operations</b>					
Revenue		56,346	67,832	177,621	208,322
Cost of sales		(46,481)	(54,112)	(145,232)	(168,534)
Gross profit		9,865	13,720	32,389	39,788
Other items of income					
- Interest income		38	21	76	31
- Other income		877	755	1,682	1,524
Other items of expense					
- Administrative and other expenses		(7,944)	(9,757)	(24,656)	(28,197)
- Interest expense		(472)	(828)	(1,873)	(2,464)
Profit from continuing operations, before tax	8	2,364	3,911	7,618	10,682
Income tax expense	9	(643)	(977)	(1,905)	(2,749)
Profit from continuing operations, net of tax		1,721	2,934	5,713	7,933
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		1,721	2,934	5,713	7,933
<b>Profit from continuing operation, net of tax, attributable to:</b>					
Owners of the parent		1,686	2,904	5,573	7,796
Non-controlling interests		35	30	140	137
		1,721	2,934	5,713	7,933
<b>Earnings per share attributable to owners of the parent (sen per share):</b>					
- Basic	10	2.27	3.92	7.52	10.51
- Diluted	10	2.27	3.92	7.52	10.51

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 30 SEPTEMBER 2015**

	Note	As At 30-Sep-2015 RM'000	As At 31-Dec-2014 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	97,460	103,805
Land use rights		4,080	4,161
Investment securities		-	-
Goodwill	12	1,633	1,633
Deferred tax assets		1,027	1,147
		<u>104,200</u>	<u>110,746</u>
<b>Current assets</b>			
Inventories	13	32,624	32,667
Trade receivables		53,210	56,271
Other receivables		2,326	3,886
Other current assets		2,205	1,109
Tax recoverable		407	251
Cash and bank balances	14	12,603	9,940
Derivatives asset		109	-
		<u>103,484</u>	<u>104,124</u>
Assets held for sale		<u>-</u>	<u>-</u>
		<u>103,484</u>	<u>104,124</u>
<b>TOTAL ASSETS</b>		<u>207,684</u>	<u>214,870</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	75,251	75,251
Share premium	16	11,156	11,156
Treasury shares	16	(541)	(541)
Retained earnings		49,836	46,117
		<u>135,702</u>	<u>131,983</u>
<b>Non-controlling interests</b>		<u>1,038</u>	<u>966</u>
<b>TOTAL EQUITY</b>		<u>136,740</u>	<u>132,949</u>
<b>Non-current liabilities</b>			
Loans and borrowings	17	1,164	5,251
Defferred tax liabilities		9,164	8,081
		<u>10,328</u>	<u>13,332</u>
<b>Current liabilities</b>			
Loans and borrowings	17	31,036	42,197
Trade payables		23,057	17,367
Other payables		6,398	8,869
Income tax payable		125	156
Derivatives liabilities		-	-
		<u>60,616</u>	<u>68,589</u>
<b>TOTAL LIABILITIES</b>		<u>70,944</u>	<u>81,921</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>207,684</u>	<u>214,870</u>
<b>NET ASSETS PER SHARE</b>			
Attributable to owners of the parent (RM)		<u>1.80</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 9-MONTH PERIOD ENDED 30 SEPTEMBER 2015**

	<b>9 months ended</b>	
	<b>30-Sep-2015</b>	<b>30-Sep-2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating activities</b>		
Profit before taxation	7,618	10,682
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	8,847	8,505
- Land use right	82	98
Property, plant and equipment written off	5	864
Reversal of impairment loss on trade receivable	(600)	(600)
Net loss on disposal of property, plant and equipment	74	5
Bad debts recovered	-	(572)
Gain on fair value changes of derivatives	(109)	-
Interest expense	1,873	2,464
Interest income	(76)	(31)
<b>Operating cash flows before changes in working capital</b>	<b>17,714</b>	<b>21,415</b>
Decrease / (Increase) in inventories	43	(1,692)
Decrease in trade and other receivables	4,126	1,737
Increase in trade and other payables	3,216	17
<b>Cash generated from operation</b>	<b>25,099</b>	<b>21,477</b>
Interest paid	(1,873)	(2,464)
Interest income	76	31
Taxes paid	(889)	(791)
<b>Net cash flows from operating activities</b>	<b>22,413</b>	<b>18,253</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,722)	(12,579)
Proceeds from disposal of property, plant and equipment	141	141
Decrease / (Increased) in deposit with a licensed bank	517	(8)
<b>Net cash flows used in investing activities</b>	<b>(2,064)</b>	<b>(12,446)</b>
<b>Financing activities</b>		
Drawdown of hire purchase	-	5,560
Repayment of term loan	(426)	(5,705)
Repayment of hire purchase	(5,961)	(2,081)
Decrease in short term borrowings	(7,297)	(948)
Purchase of treasury shares	-	-
Dividend paid	(1,922)	(68)
<b>Net cash flows used in financing activities</b>	<b>(15,606)</b>	<b>(3,242)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,743</b>	<b>2,565</b>
Cash and cash equivalents at 1 January	14 4,223	3,806
Cash and cash equivalents at 30 September	14 8,966	6,371

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 9-MONTH PERIOD ENDED 30 SEPTEMBER 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
<b>Period ended 30 September 2015</b>							
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)
Dividend (Note 19)	-	-	-	(1,854)	(1,854)	-	(1,854)
Total comprehensive income for the period	-	-	-	5,573	5,573	140	5,713
As at 30 September 2015	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>49,836</u>	<u>135,702</u>	<u>1,038</u>	<u>136,740</u>
<b>Period ended 30 September 2014</b>							
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	-	-	-	7,796	7,796	137	7,933
As at 30 September 2014	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>44,270</u>	<u>130,136</u>	<u>967</u>	<u>131,103</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 17 November 2015.

**2 BASIS OF PREPARATION**

These condensed consolidated interim financial statements, for the period ended 30 September 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 30 Sep		9 Months Ended 30 Sep	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant & equipment	2,840	2,899	8,847	8,505
Amortisation of prepaid lease payments	17	33	82	98
Reversal of impairment loss on trade receivable	(400)	(600)	(600)	(600)
Bad debts written off	-	-	-	-
Bad debts recovered	-	(60)	-	(572)
Loss on disposal of property, plant and equipment	75	45	74	5
Property, plant & equipment written off	2	624	5	864
(Gain) / loss on foreign exchange - realised	(205)	31	(483)	86
(Gain) / loss on fair value changes of derivatives	(109)	(0.55)	(109)	-

**9 INCOME TAX EXPENSE**

	3 Months Ended 30 Sep		9 Months Ended 30 Sep	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Current tax	(197)	(192)	(702)	(850)
Deferred tax	(446)	(785)	(1,203)	(1,899)
	<u>(643)</u>	<u>(977)</u>	<u>(1,905)</u>	<u>(2,749)</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 30 Sep		9 Months Ended 30 Sep	
	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>1,686</u>	<u>2,904</u>	<u>5,573</u>	<u>7,796</u>
Basic earnings per share (Sen)	<u>2.27</u>	<u>3.92</u>	<u>7.52</u>	<u>10.51</u>
Diluted earnings per share (Sen)	<u>2.27</u>	<u>3.92</u>	<u>7.52</u>	<u>10.51</u>

**11 PROPERTY, PLANT AND EQUIPMENT**

During the period ended 30 September 2015, assets with a carrying amount of RM215,486 (2014:RM145,265) were disposed off by the Group resulting in a net loss on disposal of RM74,080 (2014:loss of RM4,705), 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 six months ended 30 September 2015, there were no write-down of inventories.

**14 CASH AND BANK BALANCES**

Cash and cash equivalents comprised the following amounts:

	<b>30 Sep 2015 RM'000</b>	<b>31 Dec 2014 RM'000</b>
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	8,966	5,787
Short term deposits with licensed banks	3,637	4,153
Cash and bank balances	<u>12,603</u>	<u>9,940</u>
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	8,966	5,787
Bank overdrafts	-	(1,564)
Total cash and cash equivalents	<u>8,966</u>	<u>4,223</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 30 September 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 30 September 2015.

**17 INTEREST-BEARING LOANS AND BORROWINGS**

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

<b>Type of Borrowing</b>	<b>30 Sep 2015 RM'000</b>	<b>31 Dec 2014 RM'000</b>
<b>Short term borrowing (secured)</b>		
Bank overdrafts	-	1,564
Trade bills	30,087	37,385
Hire purchase payables	471	2,584
Term loan	478	664
	<u>31,036</u>	<u>42,197</u>
<b>Long term borrowing (secured)</b>		
Hire purchase payables	376	4,224
Term loan	788	1,027
	<u>1,164</u>	<u>5,251</u>
<b>Total borrowing</b>	<u>32,200</u>	<u>47,448</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**

The Company has declared a first interim tax exempt dividend of 2.5% on 74,152,156 ordinary shares, net of treasury shares, in respect of the financial year ending 31 December 2015, amounting to RM1,853,804 (2.5 sen per ordinary share) on 20 May 2015 and paid on 8 July 2015.

**20 CAPITAL COMMITMENTS**

	<b>As At</b>	
	<b>30-Sep 2015 RM'000</b>	<b>31-Dec 2014 RM'000</b>
Approved and contracted for:		
Purchase of property, plant & equipment	<u>1,019</u>	<u>164</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 9-month period ended 30 September 2015 and 31 December 2014 as well as the balances with the related parties as at 30 September 2015 and 31 December 2014:

	Transactions with related parties 9 months ended		Amounts owed by related parties As At		Amounts due to related parties As At	
	30 Sep 2015	30 Sep 2014	30-Sep 2015	31-Dec 2014	30-Sep 2015	31-Dec 2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Sales of carton boxes &amp; stationery products #</b>						
Perfect Food Manufacturing (M) Sdn. Bhd. *	4,541	4,115	1,116	729	-	-
Greatbrand Food Industries Sdn. Bhd. *	1,613	1,180	402	200	-	-
STH Wire Industry (M) Sdn. Bhd. @	34	39	2	2	-	-
<b>Purchase of raw material</b>						
STH Wire Industry (M) Sdn. Bhd.	269	340	-	-	183	60
<b>Factory rental</b>						
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 RM56.346 million and profit before tax of RM2.364 million in the current quarter ended 30 September 2015. The revenue was reduced by RM11.486 million or 16.93% compared with the preceding year corresponding quarter. Profit before tax was reduced by RM1.547 million or 39.56% 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 RM56.346 million as compared to revenue of RM63.193 million in the immediate preceding quarter, representing a decrease in turnover of RM6.847. However, the profit before tax increased slightly from RM2.322 million to RM2.364 million mainly due to reversal of impairment loss on doubtful debts amounting to RM400,000, gain of exchange difference amounting to RM205,238.57 and gain on fair value changes of derivative amounting to RM108,922.81.

## 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
		USD'000	RM'000
RHB Islamic Bank Berhad Fixed forward contract - less than 1 year	196294	165	744

**34 RATIONALE FOR ENTERING INTO DERIVATIVES**

The Group had entered one fixed forward contract with RHB Islamic Bank Berhad which was contracted on 30 July 2015 and will expire on 3 November 2015. 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.:	196294
Rate contracted:	3.8468
Balances as at 30 September 2015 (In USD):	164,985
Rate as at 30 September 2015	4.5070
Gain / (Loss) on fair value changes of derivatives (In RM)	108,923

**37 BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES**

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

	As At	
	30-Sep-15 RM'000	31-Dec-14 RM'000
- Realised	100,592	93,332
- Unrealised	(8,137)	(6,934)
	92,455	86,398
Less : Consolidation adjustments	(42,619)	(40,281)
Total Group retained profits as per consolidated accounts	<u>49,836</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 17 November 2015.