

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
		RM'000	RM'000	RM'000	RM'000
Revenue		71,568	63,600	272,051	241,287
Cost of sales		(59,410)	(53,006)	(224,292)	(198,239)
Gross profit		12,158	10,594	47,759	43,048
Other items of income					
- Interest income		121	126	156	202
- Other income		(281)	441	1,327	1,999
Other items of expense					
- Administrative and other expenses		(9,864)	(8,972)	(37,401)	(33,591)
- Interest expense		(615)	(496)	(2,325)	(2,348)
Profit before tax	8	1,519	1,693	9,516	9,310
Income tax expense	9	167	(217)	(1,332)	(2,122)
Profit net of tax		1,686	1,476	8,184	7,188
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		1,686	1,476	8,184	7,188
Profit net of tax, attributable to:					
Owners of the parent		1,670	1,468	8,103	7,040
Non-controlling interests		16	8	81	148
		1,686	1,476	8,184	7,188
Earnings per share attributable to owners of the parent (sen per share):					
- Basic		2.25	1.98	10.93	9.49
- Diluted		2.25	1.98	10.93	9.49

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 DECEMBER 2016

	Note	31 Dec 2016 RM'000	31 Dec 2015 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	97,118	97,502
Land use rights		5,437	4,031
Goodwill	12	1,633	1,633
Deferred tax assets		541	1,872
		<u>104,729</u>	<u>105,038</u>
Current assets			
Inventories	13	37,257	35,840
Trade receivables		66,977	59,411
Other receivables		865	785
Other current assets		5,048	965
Tax recoverable		610	592
Held-to-maturity investment	14	4,347	3,740
Cash and bank balances	14	8,620	5,835
Derivatives asset		4	7
		<u>123,728</u>	<u>107,175</u>
TOTAL ASSETS		<u>228,457</u>	<u>212,213</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		57,181	51,303
		<u>143,047</u>	<u>137,169</u>
Non-controlling interests		<u>1,059</u>	<u>1,046</u>
TOTAL EQUITY		<u>144,106</u>	<u>138,215</u>
Non-current liabilities			
Loans and borrowings	17	368	858
Deferred tax liabilities		8,653	10,066
		<u>9,021</u>	<u>10,924</u>
Current liabilities			
Loans and borrowings	17	48,343	35,830
Trade payables		18,778	19,802
Other payables		8,209	7,442
		<u>75,330</u>	<u>63,074</u>
TOTAL LIABILITIES		<u>84,351</u>	<u>73,998</u>
TOTAL EQUITY AND LIABILITIES		<u>228,457</u>	<u>212,213</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>1.90</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 YEAR ENDED 31 DECEMBER 2016**

	12 months ended	
	31-Dec-2016 RM'000	31-Dec-2015 RM'000
Operating activities		
Profit before taxation	9,516	9,310
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	12,037	11,861
- Land use right	130	130
Property, plant and equipment written off	-	6
Allowance for impairment loss on receivable	-	89
Reversal of impairment loss on trade or other receivable	(699)	(600)
Net loss on disposal of property, plant and equipment	1,196	364
Unrealised gain on foreign exchange	-	(7)
Bad debts written off	69	63
Loss / (gain) on fair value changes of derivatives	3	(19)
Interest expense	2,325	2,348
Interest income	(156)	(202)
Operating cash flows before changes in working capital	<u>24,421</u>	<u>23,343</u>
(Increase) in inventories	(1,417)	(3,173)
(Increase) / decrease in trade and other receivables	(7,011)	392
(Increase) / decrease in other current assets	(4,083)	383
(Decrease) / Increase in trade and other payables	(257)	1,020
Cash generated from operation	<u>11,653</u>	<u>21,965</u>
Interest paid	(2,325)	(2,348)
Taxes paid	(1,432)	(1,359)
Net cash flows (used in)/from operating activities	<u>7,896</u>	<u>18,258</u>
Investing activities		
Purchase of property, plant and equipment	(14,211)	(7,403)
Increase in land use right	(1,536)	-
Proceeds from disposal of property, plant and equipment	1,362	1,236
Interest received	151	202
(Increase) / decrease in deposit with a licensed bank	(607)	413
Net cash flows used in investing activities	<u>(14,841)</u>	<u>(5,552)</u>
Financing activities		
Repayment of term loan	(445)	(603)
Repayment of hire purchase	(423)	(6,097)
Increase / (Decrease) in short term borrowings	13,824	(5,481)
Dividend paid on ordinary shares	(2,225)	(1,854)
Dividend paid to non-controlling interests	(68)	(68)
Net cash flows generated from financing activities	<u>10,663</u>	<u>(14,103)</u>
Net increase in cash and cash equivalents	3,718	(1,397)
Effect of exchange rate changes on cash & cash equivalents		24
Cash and cash equivalents at 1 January	14	<u>2,850</u>
Cash and cash equivalents at 31 December	14	<u>2,850</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
#REF!

	<----- Attributable to owners of the parent ----->						
	< ----- Non Distributable ----- >			Distributable		Non-	Total
	Share capital	Share premium	Treasury shares	Retained earnings	Total	controlling interests	Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 Jan 2016	75,251	11,156	(541)	51,303	137,169	1,046	138,215
Dividend paid to non-controlling interest	-	-	-	-	-	(68)	(68)
Dividend (Note 19)	-	-	-	(2,225)	(2,225)	-	(2,225)
Total comprehensive income for the period	-	-	-	8,103	8,103	81	8,184
As at 31 Dec 2016	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>57,181</u>	<u>143,047</u>	<u>1,059</u>	<u>144,106</u>
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	-	-	-	7,040	7,040	148	7,188
As at 31 Dec 2015	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>51,303</u>	<u>137,169</u>	<u>1,046</u>	<u>138,215</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 24 February 2017.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the year ended 31 December 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 periods beginning on or after
MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)	01-Jan-17
MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	01-Jan-17
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 16 Leases	01-Jan-19
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Jc	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

unrealised	Current quarter		Cumulative quarter	
	3 Months Ended 31 Dec		12 Months Ended 31 Dec	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant & equipment	2,866	3,014	12,037	11,861
Amortisation of prepaid lease payments	33	48	130	130
Impairment loss on trade & other receivables	-	89	-	89
Reversal of impairment loss on trade receivable	-	-	(699)	(600)
Bad debts written off	69	63	69	63
Loss on disposal of property, plant and equipment	1,206	290	1,196	364
Property, plant & equipment written off	-	1	-	6
(Gain) / loss on foreign exchange - realised	(139)	(426)	160	(909)
(Gain) / loss on foreign exchange - unrealised	-	7	-	7
(Gain) / loss on fair value changes of derivatives	(4)	90	3	(19)
Exceptional items	-	-	-	-

9 INCOME TAX EXPENSE

	3 Months Ended 31 Dec		12 Months Ended 31 Dec	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current tax	(223)	(160)	(1,414)	(862)
Deferred tax	390	(57)	82	(1,260)
	<u>167</u>	<u>(217)</u>	<u>(1,332)</u>	<u>(2,122)</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 Dec		12 Months Ended 31 Dec	
	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>1,670</u>	<u>1,468</u>	<u>8,103</u>	<u>7,040</u>
Basic earnings per share (Sen)	<u>2.25</u>	<u>1.98</u>	<u>10.93</u>	<u>9.49</u>
Diluted earnings per share (Sen)	<u>2.25</u>	<u>1.98</u>	<u>10.93</u>	<u>9.49</u>

11 PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2016, assets with a carrying amount of RM2,558,236 (2015:RM632,860) were disposed off by the Group resulting in a net loss on disposal of RM1,196,176 (2015:loss of RM364,454), 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 year ended 31 December 2016, there were no write-down of inventories.

14 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

	31 Dec 2016 RM'000	31 Dec 2015 RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	8,620	5,835
Short term deposits with licensed banks	4,347	3,740
Cash and bank balances	<u>12,967</u>	<u>9,575</u>
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	8,620	5,835
Bank overdrafts	(2,052)	(2,985)
Total cash and cash equivalents	<u>6,568</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 December 2016, 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
Assets measured at fair value:			
Derivative assets	-	6	-

16 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

There were no issuance or re-purchase of ordinary shares during the financial period ended 31 December 2016.

17 INTEREST-BEARING LOANS AND BORROWINGS

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

Type of Borrowing	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Short term borrowing (secured)		
Bank overdrafts	2,052	2,985
Trade bills	45,728	31,904
Hire purchase payables	201	472
Term loan	362	469
	<u>48,343</u>	<u>35,830</u>
Long term borrowing (secured)		
Hire purchase payables	87	239
Term loan	281	619
	<u>368</u>	<u>858</u>
Total borrowing	<u>48,711</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

There were no dividends declared for the quarter under review.

20 CAPITAL COMMITMENTS

	As At	
	31-Dec 2016 RM'000	31-Dec 2015 RM'000
Approved and contracted for:		
Purchase of property, plant & equipment	421	494

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 December 2016 and 31 December 2015 as well as the balances with the related parties as at 31 December 2016 and 31 December 2015:

	Transactions with related parties 12 months ended		Amounts owed by related parties As At		Amounts due to related parties As At	
	31 Dec 2016	31 Dec 2015	31-Dec 2016	31-Dec 2015	31-Dec 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. *	8,093	6,668	2,549	2,254	-	-
Greatbrand Food Industries Sdn. Bhd. *	2,582	2,145	696	564	-	-
STH Wire Industry (M) Sdn. Bhd. @	60	42	12	4	-	-
Purchase of raw material #						
STH Wire Industry (M) Sdn. Bhd.	442	366	-	-	42	67
Factory rental						
Perfect Food Manufacturing (M) Sdn. Bhd.	60	160	-	-	-	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 RM71.568 million and profit before tax of RM1.519 million in the current quarter ended 31 Dec 2016. The revenue increased by RM7.968 million or 12.53% compared with the preceding year corresponding quarter. Despite the increase in revenue, profit before tax was reduced by RM174,000 or 10.3% compared with the preceding year corresponding quarter due to higher operating cost.

25 COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

For the quarter under review, the Group recorded a revenue of RM71.568 million as compared to revenue of RM65.961 million in the immediate preceding quarter, representing an increase in turnover of RM5.607 million. Despite of increase in turnover, the profit before tax reduced from RM3.660 million to RM1.519 million which was mainly due to higher production cost and loss on disposal of fixed asset which amounting to RM1.2 million.

26 COMMENTARY ON PROSPECTS

The Group continues to operate under intense competition market environment. The Management foresees a reasonable performance for the Group in year 2017.

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, 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 Mention on 16/03/2017 pending the filing of both parties respective Submissions, the Mention may be adjourned to a date to be fixed. 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

An interim single tier dividend of 3% per ordinary share (net of treasury shares) amounting to RM2,224,565 in respect of the financial year ending 31 December 2016 was paid on 13 October 2016.

33 DISCLOSURE OF NATURE OF OUTSTANDING DERIVATIVES

Type of Derivatives	Contract No.	Contract Value USD'000	Fair Value RM'000	Book Date	Expiry Date
RHB Islamic Bank Berhad Fixed forward contract - less than 1 year	250642	133	596	21.11.16	23.01.17

34 RATIONALE FOR ENTERING INTO DERIVATIVES

The Group had entered one 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.:	250642
Rate contracted:	4.4533
Balances as at 31 December 2016 (In USD):	132,500
Rate as at 31 December 2016	4.4845
Gain / (Loss) on fair value changes of derivatives (In RM)	4,134

37 BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	As At	
	31-Dec-16 RM'000	31-Dec-15 RM'000
- Realised	111,750	99,891
- Unrealised	(8,111)	(8,175)
	103,639	91,716
Less : Consolidation adjustments	(46,458)	(40,413)
Total Group retained earnings as per consolidated accounts	57,181	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 24 February 2017.