

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2017**

	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
		RM'000	RM'000	RM'000	RM'000
Revenue		81,655	72,527	153,178	134,522
Cost of sales		(65,838)	(60,350)	(123,993)	(111,716)
Gross profit		15,817	12,177	29,185	22,806
Other items of income					
- Interest income		14	8	24	23
- Other income		654	801	928	952
Other items of expense					
- Administrative and other expenses		(10,482)	(9,972)	(20,031)	(18,346)
- Interest expense		(702)	(561)	(1,355)	(1,098)
Profit before tax	8	5,301	2,453	8,751	4,337
Income tax expense	9	(898)	(624)	(1,457)	(1,132)
Profit net of tax		4,403	1,829	7,294	3,205
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		4,403	1,829	7,294	3,205
Profit net of tax, attributable to:					
Owners of the parent		4,310	1,810	7,098	3,155
Non-controlling interests		93	19	196	50
		4,403	1,829	7,294	3,205
Earnings per share attributable to owners of the parent (sen per share):					
- Basic		5.81	2.44	9.57	4.25
- Diluted		5.81	2.44	9.57	4.25

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 30 JUNE 2017**

	Note	30 Jun 2017 RM'000	31 Dec 2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	97,311	97,119
Land use rights		5,372	5,437
Goodwill	12	1,633	1,633
Deferred tax assets		438	428
		<u>104,754</u>	<u>104,617</u>
Current assets			
Inventories	13	45,164	37,256
Trade receivables	37	72,332	66,688
Other receivables		1,657	1,160
Other current assets		3,611	5,100
Tax recoverable		666	735
Held-to-maturity investment	14	3,847	4,347
Cash and bank balances	14	15,024	8,620
Derivatives asset		-	6
		<u>142,301</u>	<u>123,912</u>
TOTAL ASSETS		<u>247,055</u>	<u>228,529</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	86,407	75,251
Share premium	16	-	11,156
Treasury shares	16	(541)	(541)
Retained earnings		63,946	56,848
		<u>149,812</u>	<u>142,714</u>
Non-controlling interests		<u>1,255</u>	<u>1,059</u>
TOTAL EQUITY		<u>151,067</u>	<u>143,773</u>
Non-current liabilities			
Loans and borrowings	17	2,119	368
Deferred tax liabilities		9,042	8,652
		<u>11,161</u>	<u>9,020</u>
Current liabilities			
Loans and borrowings	17	57,891	48,343
Trade payables		19,614	18,983
Other payables		7,035	8,278
Income tax payable		287	132
		<u>84,827</u>	<u>75,736</u>
TOTAL LIABILITIES		<u>95,988</u>	<u>84,756</u>
TOTAL EQUITY AND LIABILITIES		<u>247,055</u>	<u>228,529</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>1.99</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

(Company No.: 573695 W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017**

	6 months ended	
	30-Jun-2017 RM'000	30-Jun-2016 RM'000
Operating activities		
Profit before taxation	8,751	4,337
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	6,282	6,043
- Land use right	65	65
Property, plant and equipment written off	2	-
Allowance for impairment loss on receivable	-	-
Reversal of impairment loss on trade or other receivable	-	(300)
Gain on disposal of property, plant and equipment	(183)	(2)
Unrealised loss on foreign exchange	41	-
Bad debts recovered	-	-
Bad debts written off	-	-
(Gain) / loss on fair value changes of derivatives	7	15
Interest expense	1,355	1,098
Interest income	(24)	(23)
Operating cash flows before changes in working capital	<u>16,296</u>	<u>11,233</u>
(Increase) / decrease in inventories	(7,908)	668
Increase in trade and other receivables	(6,141)	(6,729)
Decrease / (increase) in other current assets	1,489	(4,576)
Decrease in trade and other payables	(612)	(519)
Cash generated from operation	<u>3,124</u>	<u>77</u>
Interest paid	(1,355)	(1,098)
Interest income	-	-
Taxes paid	(854)	(396)
Net cash flows from / (used in) operating activities	<u>915</u>	<u>(1,417)</u>
Investing activities		
Purchase of property, plant and equipment	(6,548)	(4,267)
Increase in land use right	-	-
Proceeds from disposal of property, plant and equipment	254	19
Interest received	24	23
Decrease / (Increase) in deposit with a licensed bank	500	(3)
Net cash flows used in investing activities	<u>(5,770)</u>	<u>(4,228)</u>
Financing activities		
Drawdown of term loan	1,500	-
Drawdown of hire purchase	890	-
Repayment of term loan	(295)	(231)
Repayment of hire purchase	(144)	(266)
Increase in short term borrowings	11,215	9,616
Dividend paid on ordinary shares	-	-
Dividend paid to non-controlling interests	-	-
Net cash flows generated from financing activities	<u>13,166</u>	<u>9,119</u>
Net increase in cash and cash equivalents	8,311	3,474
Effect of exchange rate changes on cash & cash equivalents	(41)	
Cash and cash equivalents at 1 January	14	2,850
Cash and cash equivalents at 30 June	14	6,324

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 30 JUNE 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	-	-	-	7,098	7,098	196	7,294
As at 30 June 2017	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>63,946</u>	<u>149,812</u>	<u>1,255</u>	<u>151,067</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	-	-	-	3,155	3,155	50	3,205
As at 30 June 2016	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>54,458</u>	<u>140,324</u>	<u>1,096</u>	<u>141,420</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 15 August 2017.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the year ended 30 June 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

The Group is organised into business units based on their products and has three operating segments as follows :

	Corrugated Board & Carton		Corporate		Paper Stationery Product		Adjustments & Eliminations		Per consolidated financial statements	
	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	161,249	140,315	51	51	14,503	14,280	(22,625)	(20,124)	153,178	134,522
Profit	7,372	3,557	(277)	(142)	212	(184)	(209)	(76)	7,098	3,155
Assets	242,390	224,975	99,893	96,639	16,775	15,293	(112,003)	(114,987)	247,055	221,920
Liabilities	102,783	91,707	22	23	6,571	8,930	(13,387)	(20,160)	95,989	80,500

The Group is principally involved in the manufacturing of corrugated board and carton and paper stationery product.

The Group's revenue and profit are mainly contributed by the corrugated board and carton segment.

The Corporate segment represents the investment holding, management and the Group's treasury functions.

Performance review for financial period to-date

Corrugated board and carton segment :

The revenue increased by 15% from RM140,315 million to RM161,249 million which was mainly due to higher sales volume and higher unit selling price. The increase in revenue resulted a better profit after tax from RM3,557 million to RM7,372 million, representing profit growth of 107%.

Paper stationery products segment :

The revenue increased slightly by 1.5% from RM14,280 million to RM14,503 million.

The segment registered a profit after tax of RM0.212 million as compared to a loss of RM0.184 million registered in the last corresponding period mainly due to change in products mixed which had resulted in a better profit margin.

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 June		6 Months Ended 30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant & equipment	3,157	3,097	6,282	6,043
Amortisation of land use right	32	32	65	65
Reversal of impairment loss on trade receivable	-	(300)	-	(300)
Gain on disposal of property, plant and equipment	(128)	-	(183)	(2)
Property, plant & equipment written off	1	-	2	-
(Gain) / loss on foreign exchange - realised	(396)	341	(461)	348
Loss on foreign exchange - unrealised	32	-	41	-
Loss / (Gain) on fair value changes of derivatives	13	(209)	7	15

9 INCOME TAX EXPENSE

	3 Months Ended 30 June		6 Months Ended 30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax	(658)	(493)	(1,077)	(914)
Deferred tax	(240)	(131)	(380)	(218)
	<u>(898)</u>	<u>(624)</u>	<u>(1,457)</u>	<u>(1,132)</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 June		6 Months Ended 30 June	
	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>4,310</u>	<u>1,810</u>	<u>7,098</u>	<u>3,155</u>
Basic earnings per share (Sen)	<u>5.81</u>	<u>2.44</u>	<u>9.57</u>	<u>4.25</u>
Diluted earnings per share (Sen)	<u>5.81</u>	<u>2.44</u>	<u>9.57</u>	<u>4.25</u>

11 PROPERTY, PLANT AND EQUIPMENT

For the 6 months period ended 30 June 2017, assets with a carrying amount of RM70,723 (2016:RM153,948) were disposed off by the Group resulting in a net gain on disposal of RM183,465 (2016:gain of RM1,595), 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 30 June 2017, there were no write-down of inventories.

14 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

	30-Jun 2017 RM'000	31-Dec 2016 RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	15,024	8,620
Short term deposits with licensed banks	3,847	4,347
Cash and bank balances	<u>18,871</u>	<u>12,967</u>
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	15,024	8,620
Bank overdrafts	(347)	(2,213)
Total cash and cash equivalents	<u>14,677</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.

As at 30 June 2017, 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
Assets measured at fair value:			
Derivative liabilities	-	0.4	-

16 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	30-Jun 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 30 June 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 30 June 2017.

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	Fixed rate	Floating rate	30-Jun 2017 RM'000	Weighted Average Interest Rate	30-Jun 2016 RM'000	Weighted Average Interest Rate	31-Dec 2016 RM'000
Short term borrowing (secured)							
Bank overdrafts (floating)		100%	346	7.94%	1,508	7.82%	2,213
Trade bills (floating)		100%	56,782	4.14%	41,521	4.19%	45,567
Hire purchase payables (fixed)	100%		296	3.35%	347	3.41%	201
Term loans (floating)		100%	467	6.30%	471	7.49%	362
			<u>57,891</u>		<u>43,847</u>		<u>48,343</u>
Long term borrowing (secured)							
Hire purchase payables (fixed)	100%		738		98		87
Term loans (floating)		100%	1,381		386		281
			<u>2,119</u>		<u>484</u>		<u>368</u>
Total borrowing			<u>60,010</u>		<u>44,331</u>		<u>48,711</u>

None of the above borrowings are dominated in foreign currencies.

The significant increase of usage of trade bills was mainly due to higher purchases of raw material to support the increase in sales volume.

There were drawdown of term loans amounting to RM1.5 million during the current quarter for capital expenditure.

There were drawdown of hire purchases amounting to RM0.89 million during the quarter to finance the purchase of property, plant and equipment.

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

	30-Jun 2017	30-Jun 2016
	RM'000	RM'000
Approved and contracted for:		
Purchase of property, plant & equipment	2,640	5,430

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 30 June 2017 and 31 December 2016 as well as the balances with the related parties as at 30 June 2017 and 31 December 2016:

	Transactions with related parties		Amounts owed by related parties		Amounts due to related parties	
	6 months ended		As At		As At	
	30-Jun 2017	30-Jun 2016	30-Jun 2017	31-Dec 2016	30-Jun 2017	30-Jun 2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of carton boxes & stationery products #						
Perfect Food Manufacturing (M) Sdn. Bhd. *	3,482	3,501	2,490	2,549	-	-
Greatbrand Food Industries Sdn. Bhd. *	1,720	1,245	1,048	696	-	-
STH Wire Industry (M) Sdn. Bhd. @	34	23	5	12	-	-
Purchase of raw material #						
STH Wire Industry (M) Sdn. Bhd.	262	255	-	-	66	42
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

a) Financial review for current quarter and financial year to date

	30-Jun 2017	30-Jun 2016	Changes (%)	30-Jun 2017	30-Jun 2016	Changes (%)
	RM'000	RM'000		RM'000	RM'000	
Revenue	81,655	72,527	13%	153,178	134,522	14%
Operating Profit	15,817	12,177	30%	29,185	22,806	28%
Profit Before Interest and Tax	5,989	3,006	99%	10,082	5,412	86%
Profit before tax	5,301	2,453	116%	8,751	4,337	102%
Profit After tax	4,403	1,829	141%	7,294	3,205	128%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	4,310	1,810	138%	7,098	3,155	125%

The Group recorded revenue growth of 12.6% to RM81.66 million compared to RM72.53 million recorded in the corresponding quarter due to higher sale orders received and higher average selling price. The sales volume and average selling price for corrugated cartons and boards has increased by 2.77% and 9.55% respectively compared to the corresponding quarter.

In line with the increase in revenue, profit before tax increased from RM2.45 million in the corresponding quarter to RM5.30 million in the current quarter.

b) Financial review for current quarter compared with immediate preceding quarter

	30-Jun 2017	31-Mar 2017	Changes (%)
	RM'000	RM'000	
Revenue	81,655	71,523	14%
Operating Profit	15,817	13,368	18%
Profit Before Interest and Tax	5,989	4,093	46%
Profit before tax	5,301	3,450	54%
Profit After tax	4,403	2,891	52%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	4,310	2,788	55%

The key factors affect the group's performance include mainly raw material costs (such as kraft liner, test liner, medium paper and etc), operating cost, demand for the packaging products and the ability to cope with the change. The recent upward trend of raw material costs has resulted in increase of production cost.

The Group recorded revenue growth of 14.17% to RM81.66 million compared to RM71.53 million recorded in the preceding quarter due to higher sale orders received and higher average selling price. The sales volume and average selling price for corrugated cartons and boards has increased by 4.97% and 8.76% respectively compared to the preceding quarter.

In line with the increase in revenue, profit before tax increased from RM3.45 million in the preceding quarter to RM5.30 million in the current quarter.

25 COMMENTARY ON PROSPECTS

The Group maintains a cautiously positive outlook for the remaining quarters. The Group will continue to strengthen our market position and customer base and emphasis on productivity and efficiency to mitigate the impact of increasing cost.

The Group will focus on managing and balancing the selling prices of cartons and material costs.

The Board is confident that the Group will achieve a reasonable performance for the year.

26 COMMENTARY ON PROGRESS TO ACHIEVE REVENUE OR PROFIT ESTIMATE, FORECAST, PROJECTION OR INTERNAL TARGETS

Not applicable

27 STATEMENT BY DIRECTORS ON ACHIEVABILITY OF REVENUE OR PROFIT ESTIMATE, FORECAST, PROJECTION OR INTERNAL TARGET

Not applicable

28 VARIANCE FROM PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable

29 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).

30 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 believes that there will not have unfavorable outcome from the dispute. Hence, no provision is provided for as at the reporting date.

31 DIVIDEND PAYABLE

Refer to Note 19 for details.

32 DISCLOSURE OF NATURE OF OUTSTANDING DERIVATIVES

Type of Derivatives	Contract No.	Contract Value USD'000	Fair Value RM'000	Book Date	Expiry Date
Bangkok Bank Berhad Fixed forward contract - less than 1 year	FFCB160002F1	100	428	6.6.17	6.7.17

33 RATIONALE FOR ENTERING INTO DERIVATIVES

The Group had entered a fixed forward contract with Bangkok Bank Berhad where the details were stated in Note 32. The purpose is to hedge against unfavorable movement in foreign exchange rate in respect of the export sales proceeds.

34 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.

35 DISCLOSURE OF GAINS/LOSSES ARISING FROM FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

Contract no.:	FFCB160002F1
Rate contracted:	4.2740
Balances as at 30 June 2017 (In USD):	100,000
Rate as at 30 June 2017	4.2780
Loss on fair value changes of derivatives (In RM)	400.00

36 BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	30-Jun-17 RM'000	31-Dec-16 RM'000
- Realised	113,197	105,471
- Unrealised	(8,562)	(8,145)
	104,635	97,326
Less : Consolidation adjustments	(40,689)	(40,478)
Total Group retained earnings as per consolidated accounts	63,946	56,848

37 TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 30 to 150 (2016: 30 to 150) days terms. The credit term to related parties are generally on 30 to 120 days. They are recognised at their original invoices amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows :

	Group		Related party	
	30-Jun 2017	30-Jun 2016	30-Jun 2017	30-Jun 2016
	RM'000	RM'000	RM'000	RM'000
Neither past due not impaired	60,447	53,305	5,236	4,769
1 to 30 days past due not impaired	7,817	8,970	-	-
31 to 60 days past due not impaired	3,140	2,258	-	-
More than 61 days past due not impaired	928	1,575	-	-
Total past due not impaired	11,885	12,803	-	-
Impaired	92	490	-	-
	<u>72,424</u>	<u>66,598</u>	<u>5,236</u>	<u>4,769</u>

* Note : The related parties are referring to Perfect Food Manufacturing (M) Sdn Bhd, Greatbrand food Industries Sdn Bhd and STH Wire Industry (M) Sdn Bhd and the renewal of existing shareholders' mandate for recurrent related party transaction had been obtained in last annual general meeting.

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of these trade receivables have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are active accounts which the management considers to be recoverable. These receivables are not secured by any collateral or credit enhancements.

Receivables that are impaired

Trade receivables that are determined to be individually impaired relate to those debtors that are in significant financial difficulties and/or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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 15 August 2017.