

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

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

	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Revenue		90,777	71,568	330,700	272,052
Cost of sales		(74,314)	(59,410)	(269,179)	(224,122)
Gross profit		16,463	12,158	61,521	47,930
Other items of income					
- Interest income		204	121	261	156
- Other income		287	(281)	1,476	1,141
Other items of expense					
- Administrative and other expenses		(10,015)	(9,864)	(40,269)	(37,601)
- Interest expense		(856)	(615)	(3,079)	(2,325)
Profit before tax	8	6,083	1,519	19,910	9,301
Income tax expense	9	(1,030)	167	(3,960)	(1,450)
Profit net of tax		5,053	1,686	15,950	7,851
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		5,053	1,686	15,950	7,851
Profit net of tax, attributable to:					
Owners of the parent		5,029	1,670	15,650	7,770
Non-controlling interests		24	16	300	81
		5,053	1,686	15,950	7,851
Earnings per share attributable to owners of the parent (sen per share):					
- Basic		6.78	2.25	21.11	10.48
- Diluted		6.78	2.25	21.11	10.48

These condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

ORNAPAPER BERHAD
(Company No.: 573695 W)
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DEC 2017**

	Note	31 Dec 2017 RM'000	31 Dec 2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	100,816	97,119
Land use rights		6,686	5,437
Goodwill	12	1,633	1,633
Deferred tax assets		196	428
		<u>109,331</u>	<u>104,617</u>
Current assets			
Inventories	13	53,434	37,256
Trade receivables	37	86,381	66,688
Other receivables		653	1,160
Other current assets		1,335	5,100
Tax recoverable		330	735
Held-to-maturity investment	14	3,955	4,347
Cash and bank balances	14	15,255	8,620
Derivatives asset		-	6
		<u>161,343</u>	<u>123,912</u>
TOTAL ASSETS		<u>270,674</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		70,644	56,848
		<u>156,510</u>	<u>142,714</u>
Non-controlling interests		<u>1,246</u>	<u>1,059</u>
TOTAL EQUITY		<u>157,756</u>	<u>143,773</u>
Non-current liabilities			
Loans and borrowings	17	2,288	368
Deferred tax liabilities		9,085	8,652
		<u>11,373</u>	<u>9,020</u>
Current liabilities			
Loans and borrowings	17	66,144	48,343
Trade payables		24,423	18,983
Other payables		10,443	8,278
Income tax payable		535	132
		<u>101,545</u>	<u>75,736</u>
TOTAL LIABILITIES		<u>112,918</u>	<u>84,756</u>
TOTAL EQUITY AND LIABILITIES		<u>270,674</u>	<u>228,529</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>2.08</u>	<u>1.90</u>

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

ORNAPAPER BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DEC 2017**

	12 months ended	
	31-Dec-2017 RM'000	31-Dec-2016 RM'000
Operating activities		
Profit before taxation	19,910	9,301
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	12,728	12,034
- Land use right	138	128
Property, plant and equipment written off	26	-
Adjustment for property, plant and equipment		86
Allowance for impairment loss on receivable	-	269
Reversal of impairment loss on trade or other receivable	(30)	(720)
(Gain) / loss on disposal of property, plant and equipment	(166)	1,197
Unrealised gain on foreign exchange	(1)	(80)
Bad debts recovered	-	-
Bad debts written off	12	69
Loss on fair value changes of derivatives	7	1
Interest expense	3,079	2,325
Interest income	(261)	(156)
Operating cash flows before changes in working capital	<u>35,442</u>	<u>24,454</u>
Increase in inventories	(16,178)	(1,416)
Increase in trade and other receivables	(19,169)	(6,990)
Decrease / (increase) in other current assets	3,765	(1,309)
Increase / (decrease) in trade and other payables	<u>7,605</u>	<u>(157)</u>
Cash generated from operation	11,465	14,582
Interest paid	(3,079)	(2,384)
Interest income	-	-
Taxes paid / refunded	<u>(2,487)</u>	<u>(1,431)</u>
Net cash flows from / (used in) operating activities	<u>5,899</u>	<u>10,767</u>
Investing activities		
Purchase of property, plant and equipment	(16,561)	(17,060)
Increase in land use right	(1,386)	(1,534)
Proceeds from disposal of property, plant and equipment	275	1,359
Interest received	261	151
Decrease / (Increase) in deposit with a licensed bank	<u>392</u>	<u>(607)</u>
Net cash flows used in investing activities	<u>(17,019)</u>	<u>(17,691)</u>
Financing activities		
Drawdown of term loan	1,500	-
Drawdown of hire purchase	1,558	
Repayment of term loan	(540)	(445)
Repayment of hire purchase	(357)	(423)
Increase in short term borrowings	19,583	13,663
Dividend paid on ordinary shares	(1,854)	(2,225)
Dividend paid to non-controlling interests	<u>(113)</u>	<u>(68)</u>
Net cash flows generated from financing activities	<u>19,777</u>	<u>10,502</u>
Net increase in cash and cash equivalents	8,657	3,578
Effect of exchange rate changes on cash & cash equivalents	1	(21)
Cash and cash equivalents at 1 January	14	<u>6,407</u>
Cash and cash equivalents at 31 December	14	<u>6,407</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
 FOR THE PERIOD ENDED 31 DEC 2017**

	<----- Attributable to owners of the parent ----->						
	<----- Share capital RM'000	Non Distributable Share premium RM'000	-----> Treasury shares RM'000	Distributable Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total Equity RM'000
As at 1 Jan 2017	75,251	11,156	(541)	56,848	142,714	1,059	143,773
Dividend paid to non-controlling interest	-	-	-	-	-	(113)	(113)
Dividend	-	-	-	(1,854)	(1,854)	-	(1,854)
Total comprehensive income for the period	-	-	-	15,650	15,650	300	15,950
As at 31 Dec 2017	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>70,644</u>	<u>156,510</u>	<u>1,246</u>	<u>157,756</u>
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	-	-	-	(2,225)	(2,225)	-	(2,225)
Total comprehensive income for the period	-	-	-	7,770	7,770	81	7,851
As at 31 Dec 2016	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>56,848</u>	<u>142,714</u>	<u>1,059</u>	<u>143,773</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 27 February 2018.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the year ended 31 December 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-18
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 & Others		Paper Stationery Product		Adjustments & Eliminations		Per consolidated financial statements	
	31-Dec 2017	31-Dec 2016	31-Dec 2017	31-Dec 2016	31-Dec 2017	31-Dec 2016	31-Dec 2017	31-Dec 2016	31-Dec 2017	31-Dec 2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	349,540	286,644	4,239	6,018	28,534	25,640	(51,613)	(46,250)	330,700	272,052
Profit	16,076	8,255	3,477	5,614	305	(55)	(4,208)	(6,044)	15,650	7,770
Assets	262,962	223,172	103,093	100,174	24,296	20,452	(119,677)	(115,269)	270,674	228,529
Liabilities	116,371	85,315	71	25	13,998	16,332	(17,522)	(16,916)	112,918	84,756

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 investment holding, the Group's management and treasury functions and transportation service.

The total assets has increased by 18.44% as compared to previous year. There is significant increase of revenue and profit in the corrugated board and carton segment as compared to the last annual financial statements. There is no differences in the basis of segmentation.

Performance review for financial period to-date

Corrugated board and carton segment :

The revenue increased by 21.94% from RM286,644 million to RM349,540 million which was mainly due to higher sales volume and higher unit selling price. In line with the increase in revenue, the profit after tax increased from RM8,255 million to RM16,076 million, representing a profit growth of 94.74%.

Paper stationery products segment :

The revenue increased by 11.29% from RM25,640 million to RM28,534 million.

In line with the increase in revenue, the segment registered a profit after tax of RM305,000 as compared to a loss of RM55,000 registered in the previous year

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 Dec		12 Months Ended 31 Dec	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant & equipment	3,200	2,866	12,728	12,034
Amortisation of land use right	41	33	138	128
Impairment loss on trade & other receivables	-	-	-	269
Reversal of impairment loss on trade receivable	(31)	-	(31)	(720)
Bad debts written off	12	69	12	69
(Gain) / loss on disposal of property, plant and equipment	(17)	1,206	(166)	1,197
Property, plant & equipment written off	24	-	26	-
(Gain) / loss on foreign exchange - realised	100	(139)	(449)	160
(Gain) / loss on foreign exchange - unrealised	(20)	-	(1)	(80)
Loss / (Gain) on fair value changes of derivatives	-	(4)	7	1

9 INCOME TAX EXPENSE

	3 Months Ended 31 Dec		12 Months Ended 31 Dec	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax	(1,424)	(223)	(3,294)	(1,420)
Deferred tax	394	390	(666)	(30)
	<u>(1,030)</u>	<u>167</u>	<u>(3,960)</u>	<u>(1,450)</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	
	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>5,029</u>	<u>1,670</u>	<u>15,650</u>	<u>7,770</u>
Basic earnings per share (Sen)	<u>6.78</u>	<u>2.25</u>	<u>21.11</u>	<u>10.48</u>
Diluted earnings per share (Sen)	<u>6.78</u>	<u>2.25</u>	<u>21.11</u>	<u>10.48</u>

11 PROPERTY, PLANT AND EQUIPMENT

For the 12 months period ended 31 December 2017, assets with a carrying amount of RM256,101 (2016:RM2,558,236) were disposed off by the Group resulting in a net gain on disposal of RM165,696 (2016:loss of RM1,196,176), recognised and included in the statement of comprehensive income.

12 INTANGIBLE ASSETS - GOODWILL

Goodwill is tested for impairment annually (31 December) and when circumstances indicate that the carrying value may be impaired. The group's impairment test for goodwill is based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The key assumptions used to determine the recoverable amount for the different cash generating units were discussed in the annual financial statements for the year ended 31 December 2016.

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

13 INVENTORIES

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

14 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

	31-Dec 2017 RM'000	31-Dec 2016 RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	15,255	8,620
Short term deposits with licensed banks	3,955	4,347
Cash and bank balances	<u>19,210</u>	<u>12,967</u>
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	15,255	8,620
Bank overdrafts	(190)	(2,213)
Total cash and cash equivalents	<u>15,065</u>	<u>6,407</u>

As at 31 December 2017, the Group do not hold any financial assets or liabilities that are measured at fair value.

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 Dec 2017, the Group do not hold any financial assets or liabilities that are measured at fair value.

16 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

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

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

There were no issuance or re-purchase of ordinary shares during the financial period ended 31 December 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	31-Dec 2017	Weighted Average	31-Dec 2016	Weighted Average
			RM'000	Interest Rate	RM'000	Interest Rate
Short term borrowing (secured)						
Bank overdrafts (floating)		100%	190	7.87%	2,213	7.83%
Trade bills (floating)		100%	65,150	4.20%	45,567	4.05%
Hire purchase payables (fixed)	100%		354	3.29%	201	3.41%
Term loans (floating)		100%	450	5.87%	362	7.56%
			<u>66,144</u>		<u>48,343</u>	
Long term borrowing (secured)						
Hire purchase payables (fixed)	100%		1,135		87	
Term loans (floating)		100%	1,153		281	
			<u>2,288</u>		<u>368</u>	
Total borrowing			<u>68,432</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 year for capital expenditure.

There were drawdown of hire purchases amounting to RM1.56 million during the year 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

The Board of Directors propose to declare final single tier dividend of 2.5 sen per ordinary share for financial year ended 31 December 2017 which is subject to approval by shareholders in the forthcoming Annual General Meeting.

20 CAPITAL COMMITMENTS

	31-Dec 2017	31-Dec 2016
	RM'000	RM'000
Approved and contracted for:		
Purchase of property, plant & equipment	757	481

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

	Transactions with related parties		Amounts owed by related parties		Amounts due to related parties	
	12 months ended		As At		As At	
	31-Dec 2017	31-Dec 2016	31-Dec 2017	31-Dec 2016	31-Dec 2017	31-Dec 2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of carton boxes & stationary products #						
Perfect Food Manufacturing (M) Sdn. Bhd. *	8,784	8,093	3,858	2,548	-	-
Julie's Manufacturing Sdn. Bhd. *	3,234	2,582	1,267	696	-	-
STH Wire Industry (M) Sdn. Bhd. @	83	60	6	12	-	-
Purchase of raw material #						
STH Wire Industry (M) Sdn. Bhd.	503	442	-	-	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 this financial period.

24 PERFORMANCE REVIEW

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

	3 Months ended			12 Months ended		
	31-Dec 2017	31-Dec 2016	Changes (%)	31-Dec 2017	31-Dec 2016	Changes (%)
	RM'000	RM'000		RM'000	RM'000	
Revenue	90,777	71,568	26.84%	330,700	272,052	21.56%
Operating Profit	16,463	12,158	35.41%	61,521	47,930	28.36%
Profit Before Interest and Tax	6,735	2,013	234.58%	22,728	11,470	98.15%
Profit before tax	6,083	1,519	300.46%	19,910	9,301	114.06%
Profit After tax	5,053	1,686	199.70%	15,950	7,851	103.16%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	5,029	1,670	201.14%	15,650	7,770	101.42%

The Group recorded revenue growth of 26.84% to RM90.78 million compared to RM71.57 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 6.63% and 18.96% respectively compared to the corresponding quarter.

In line with the increase in revenue, profit before tax increased from RM1.52 million in the corresponding quarter to RM6.08 million in the current quarter.

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

	31-Dec 2017	30-Sep 2017	Changes (%)
	RM'000	RM'000	
Revenue	90,777	86,745	4.65%
Operating Profit	16,463	15,873	3.72%
Profit Before Interest and Tax	6,735	5,911	13.94%
Profit before tax	6,083	5,076	19.84%
Profit After tax	5,053	3,603	40.24%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	5,029	3,523	42.75%

The key factors affect the group's performance include mainly raw material costs (such as kraft liner, test liner, medium paper and etc), operation 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 4.65% to RM90.78 million compared to RM86.75 million recorded in the preceding quarter due to higher average selling price. Despite the decrease in sales volume by 1.96%, the sales value increased by 4.65% mainly due to higher average selling price which increased by 6.74% compared to the preceding quarter.

In line with the increase in revenue, profit before tax increased from RM 5.08 million to RM 6.08 million.

25 COMMENTARY ON PROSPECTS

The Group maintains a cautiously positive outlook for the coming year. 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 in the coming 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, Ormapaper 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 continue HEARING on 14/05/2018, 15/05/2018 and 26/06/2018. 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

Not applicable.

33 RATIONALE FOR ENTERING INTO DERIVATIVES

There was no outstanding foreign exchange contract for the period ended 31 December 2017.

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

There was no gain/loss arising from fair value changes of financial liabilities.

36 BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

Total retained profits of Ormapaper Berhad and its subsidiaries:

	31-Dec-17	31-Dec-16
	RM'000	RM'000
- Realised	124,178	105,471
- Unrealised	(8,849)	(8,145)
	<u>115,329</u>	<u>97,326</u>
Less : Consolidation adjustments	(44,685)	(40,478)
Total Group retained earnings as per consolidated accounts	<u>70,644</u>	<u>56,848</u>

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	
	31-Dec 2017	31-Dec 2016	31-Dec 2017	31-Dec 2016
	RM'000	RM'000	RM'000	RM'000
Neither past due not impaired	65,517	54,119	-	3,051
1 to 30 days past due not impaired	14,379	8,567	-	-
31 to 60 days past due not impaired	4,821	1,928	-	-
More than 61 days past due not impaired	1,664	2,074	-	-
Total past due not impaired	20,864	12,569	-	-
Impaired	92	360	-	-
	<u>86,473</u>	<u>67,048</u>	<u>5,131</u>	<u>3,051</u>

* Note : The related parties are referring to Perfect Food Manufacturing (M) Sdn Bhd, Julie's Manufacturing 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 27 February 2018.
