

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MAR 2018**

	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31 Mar 2018 RM'000	31 Mar 2017 RM'000	31 Mar 2018 RM'000	31 Mar 2017 RM'000
Revenue	7	81,887	71,523	81,887	71,523
Cost of sales		(71,852)	(58,155)	(71,852)	(58,155)
Gross profit		10,035	13,368	10,035	13,368
Other items of income					
- Interest income		39	10	39	10
- Other income		335	274	335	274
Other items of expense					
- Administrative and other expenses		(5,904)	(9,549)	(5,904)	(9,549)
- Interest expense		(900)	(653)	(900)	(653)
Profit before tax	9	3,605	3,450	3,605	3,450
Income tax expense	10	(906)	(559)	(906)	(559)
Profit net of tax		2,699	2,891	2,699	2,891
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		2,699	2,891	2,699	2,891
Profit net of tax, attributable to:					
Owners of the parent		2,557	2,788	2,557	2,788
Non-controlling interests		142	103	142	103
		2,699	2,891	2,699	2,891
Earnings per share attributable to owners of the parent (sen per share):					
- Basic		3.45	3.76	3.45	3.76
- Diluted		3.45	3.76	3.45	3.76

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)
 (Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 Mar 2018

	Note	31 Mar 2018 RM'000	31 Dec 2017 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	99,379	100,761
Land use rights		6,647	6,686
Goodwill	13	1,633	1,633
Deferred tax assets		246	196
		<u>107,905</u>	<u>109,276</u>
Current assets			
Inventories	14	52,296	53,396
Trade receivables	38	79,269	86,252
Other receivables		1,683	1,091
Other current assets		2,498	1,033
Tax recoverable		31	356
Held-to-maturity investment	15	5,304	3,954
Cash and bank balances	15	23,507	15,432
Derivatives asset		25	-
		<u>164,613</u>	<u>161,514</u>
TOTAL ASSETS		<u>272,518</u>	<u>270,790</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	17	86,407	86,407
Share premium	17	-	-
Treasury shares	17	(541)	(541)
Retained earnings		73,087	70,530
		<u>158,953</u>	<u>156,396</u>
Non-controlling interests		<u>1,388</u>	<u>1,246</u>
TOTAL EQUITY		<u>160,341</u>	<u>157,642</u>
Non-current liabilities			
Loans and borrowings	18	2,306	2,288
Deferred tax liabilities		9,237	9,107
		<u>11,543</u>	<u>11,395</u>
Current liabilities			
Loans and borrowings	18	69,078	66,315
Trade payables		22,483	24,270
Other payables		8,103	10,615
Income tax payable		970	553
		<u>100,634</u>	<u>101,753</u>
TOTAL LIABILITIES		<u>112,177</u>	<u>113,148</u>
TOTAL EQUITY AND LIABILITIES		<u>272,518</u>	<u>270,790</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>2.11</u>	<u>2.08</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 MAR 2018**

	3 months ended	
	31-Mar-2018	31-Mar-2017
	RM'000	RM'000
Operating activities		
Profit before taxation	3,605	3,450
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	3,333	3,125
- Land use right	39	33
Property, plant and equipment written off	-	1
Adjustment for property, plant and equipment		
Allowance for impairment loss on receivable	-	
Reversal of impairment loss on trade or other receivable		
Gain on disposal of property, plant and equipment	(35)	(55)
Unrealised (gain) / loss on foreign exchange	(8)	9
Bad debts recovered	-	-
Bad debts written off	-	-
(Gain) / loss on fair value changes of derivatives	(26)	(6)
Interest expense	900	653
Interest income	(39)	(10)
Operating cash flows before changes in working capital	<u>7,769</u>	<u>7,200</u>
Increase in inventories	1,100	(2,957)
Decrease / (increase) in trade and other receivables	6,391	(370)
(Increase) / decrease in other current assets	(1,465)	843
(Decrease) / increase in trade and other payables	(4,299)	2,633
Cash generated from operation	<u>9,496</u>	<u>7,349</u>
Interest paid	(900)	(653)
Interest income	-	-
Taxes paid / refunded	(83)	(467)
Net cash flows from / (used in) operating activities	<u>8,513</u>	<u>6,229</u>
Investing activities		
Purchase of property, plant and equipment	(1,990)	(5,370)
Increase in land use right	-	
Proceeds from disposal of property, plant and equipment	74	88
Interest received	39	10
(Increase) / decrease in deposit with a licensed bank	(1,350)	500
Net cash flows used in investing activities	<u>(3,227)</u>	<u>(4,772)</u>
Financing activities		
Drawdown of term loan	-	1,000
Drawdown of hire purchase	363	
Repayment of term loan	(109)	(160)
Repayment of hire purchase	(91)	(82)
Increase in short term borrowings	2,957	3,678
Dividend paid on ordinary shares	-	-
Dividend paid to non-controlling interests	-	-
Net cash flows generated from financing activities	<u>3,120</u>	<u>4,436</u>
Net increase in cash and cash equivalents	8,406	5,893
Effect of exchange rate changes on cash & cash equivalents	8	(9)
Cash and cash equivalents at 1 January	15	15,093
Cash and cash equivalents at 31 March	15	23,507

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 MAR 2018**

	<----- Attributable to owners of the parent ----->			Distributable Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total Equity RM'000
	< ----- Non Distributable ----- > Share capital RM'000	Share premium RM'000	Treasury shares RM'000				
As at 1 Jan 2018	86,407	-	(541)	70,530	156,396	1,246	157,642
Dividend paid to non-controlling interest	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	2,557	2,557	142	2,699
As at 31 Mar 2018	<u>86,407</u>	<u>-</u>	<u>(541)</u>	<u>73,087</u>	<u>158,953</u>	<u>1,388</u>	<u>160,341</u>
As at 1 Jan 2017	75,251	11,156	(541)	56,848	142,714	1,059	143,773
Dividend paid to non-controlling interest	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	2,788	2,788	103	2,891
As at 31 Mar 2017	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>59,636</u>	<u>145,502</u>	<u>1,162</u>	<u>146,664</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 25 May 2018.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the year ended 31 March 2018, 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 2017 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 2017.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017, except for the adoption of the following Malaysian Financial Reporting Standards ("MFRSs") which became effective for annual periods beginning on 1 January 2018.

MFRS 9 Financial Instruments
MFRS 15 Revenue from Contracts with Customers
Annual Improvements to MFRS Standards 2014 – 2016 Cycle
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

MFRS 9 Financial Instruments :

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018. The three principal classifications categories for financial assets are measured at amortized cost fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

There was no material impact on the financial performance upon the adoption of the above.

MFRS 15 Revenue from Contracts with Customers :

MFRS 15 replaces MFRS 111 Construction Contracts. MFRS 118 Revenue Revenue and related interpretations and it applied to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. A new 5 steps process is applied before revenue can be recognised. The 5 steps are to Identify contracts with customers, to Identify the separate performance obligations, to determine the transaction price of the contract, to allocate the transaction price to each of the separate performance obligations and to recognise the revenue as each performance obligation is satisfied.

Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group elected to adopt the modified retrospective method.

Please refer to note 7 for the disclosure of the impact on the Group's revenue.

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 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	01-Jan-19
MFRS 16 Leases	01-Jan-19
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	01-Jan-19
Annual Improvements to MFRS Standards 2015–2017 Cycle	01-Jan-19
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	01-Jan-19
IC Interpretation 23 Uncertainty over Income Tax Treatments	01-Jan-19
MFRS 17 Insurance Contracts	01-Jan-21
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-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	87,756	76,584	1,727	25	7,335	5,796	(14,931)	(10,882)	81,887	71,523
Profit	2,726	2,912	1,385	(95)	156	87	(1,710)	(116)	2,557	2,788
Assets	264,999	234,271	104,971	100,084	22,996	19,924	(120,448)	(117,718)	272,518	236,561
Liabilities	117,263	99,375	589	30	12,543	9,845	(18,218)	(19,351)	112,177	89,899

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.

Performance review for financial period to-date

Corrugated board and carton segment :

The revenue increased by 14.59% from RM76,584 million to RM87,756 million which was mainly due to higher sales volume and higher average selling price. However, the profit after tax decreased slightly from RM2,912 million to RM2,726 million due to higher cost of manufacturing.

Paper stationery products segment :

The revenue increased by 26.55% from RM5,796 million to RM7,335 million which was mainly due to higher sales volume and higher average selling price.

In line with the increase in revenue, the profit after tax increased from RM87,000 to RM156,000, representing a profit growth of 79.31%.

7 REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Timing of Revenue Recognition	Current quarter 3 Months Ended 31 Mar	
	2018	2017
	RM'000	RM'000
Goods transferred at a point in time	78,338	71,523
Services transferred over time	3,549	-
Total revenue	81,887	71,523

Cost of sales	Current quarter 3 Months Ended 31 Mar	
	2018	2017
	RM'000	RM'000
Cost of goods sold	68,303	58,155
Carriage outward	3,549	-
Effect of MFRS 15	71,852	58,155

8 SEASONALITY OF OPERATIONS

The business operations for the financial period to-date were not affected by seasonal or cyclical factors.

9 PROFIT BEFORE TAX

	Current quarter 3 Months Ended 31 Mar		Cumulative quarter 3 Months Ended 31 Mar	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant & equipment	3,333	3,125	3,333	3,125
Amortisation of land use right	39	33	39	33
Impairment loss on trade & other receivables	-	-	-	-
Reversal of impairment loss on trade receivable	-	-	-	-
Bad debts written off	-	-	-	-
(Gain) / loss on disposal of property, plant and equipment	(35)	(55)	(35)	(55)
Property, plant & equipment written off	-	1	-	1
(Gain) / loss on foreign exchange - realised	(264)	(65)	(264)	(65)
(Gain) / loss on foreign exchange - unrealised	(9)	9	(9)	9
Loss / (Gain) on fair value changes of derivatives	(26)	(6)	(26)	(6)

10 INCOME TAX EXPENSE

	3 Months Ended 31 Mar		3 Months Ended 31 Mar	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current tax	(826)	(419)	(826)	(419)
Deferred tax	(80)	(140)	(80)	(140)
	(906)	(559)	(906)	(559)

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.

11 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 3 Months Ended 31 Mar		Cumulative quarter 3 Months Ended 31 Mar	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Issued ordinary sharers at the beginning and end of period	75,251	75,251	75,251	75,251
Weighted average number of shares ('000)	74,153	74,153	74,153	74,153
Net profit attributable to ordinary equity holders of the parent (RM'000)	2,557	2,788	2,557	2,788
Basic earnings per share (Sen)	3.45	3.76	3.45	3.76
Diluted earnings per share (Sen)	3.45	3.76	3.45	3.76

12 PROPERTY, PLANT AND EQUIPMENT

For the 3 months period ended 31 March 2018, assets with a carrying amount of RM39,477 (2017:RM33,105) were disposed off by the Group resulting in a net gain on disposal of RM34,601 (2017:gain of RM54,895), recognised and included in the statement of comprehensive income.

13 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 2017.

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

14 INVENTORIES

During the period ended 31 March 2018, there were no write-down of inventories.

15 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

	31-Mar 2018 RM'000	31-Dec 2017 RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	23,507	15,432
Short term deposits with licensed banks	5,304	3,954
Cash and bank balances	28,811	19,386
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	23,507	15,432
Bank overdrafts	-	(339)
Total cash and cash equivalents	23,507	15,093

16 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.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Assets measured at fair value:			
Derivative assets	-	25	-

17 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	31-Mar 2018 RM'000	31-Dec 2017 RM'000
<u>Share capital</u>		
Balance as at 1 Jan 2018/ 2017	86,407	75,251
Transfer from share premium accounts	-	11,156
Balance as at 31 Mar 2018/ 31 Dec 2017	86,407	86,407

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 March 2018.

18 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-Mar	Weighted	31-Mar	Weighted	31-Dec	Weighted
			2018	Average	2017	Average	2017	Average
			RM'000	Interest Rate	RM'000	Interest Rate	RM'000	Interest Rate
Short term borrowing (secured)								
Bank overdrafts (floating)		100%	-	7.76%	74	7.93%	339	7.68%
Charge card			118		-		171	
Trade bills (floating)		100%	68,011	4.28%	49,245	4.10%	65,001	4.03%
Hire purchase payables (fixed)	100%		494	3.13%	130	3.35%	354	3.49%
Term loans (floating)		100%	455	5.40%	600	7.56%	450	5.64%
			<u>69,078</u>		<u>50,049</u>		<u>66,315</u>	
Long term borrowing (secured)								
Hire purchase payables (fixed)	100%		1,267		76		1,135	
Term loans (floating)		100%	1,039		883		1,153	
			<u>2,306</u>		<u>959</u>		<u>2,288</u>	
Total borrowing			<u>71,384</u>		<u>51,008</u>		<u>68,603</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 hire purchases amounting to RM0.363 million during the quarter to finance the purchase of property, plant and equipment.

19 PROVISIONS FOR COST OF RESTRUCTURING

There were no provision for, or reversal of, costs of restructuring during the reporting period.

20 DIVIDENDS

The proposed final single tier dividend of 2.5 sen per ordinary share for financial year ended 31 December 2017 was approved by the shareholders during the Annual General Meeting held on 25 May 2018 and payable on 16 July 2018.

21 CAPITAL COMMITMENTS

	31-Mar	31-Mar
	2018	2017
	RM'000	RM'000
Approved and contracted for:		
Purchase of property, plant & equipment	1,118	42

22 CONTINGENCIES

There were no contingent assets or liabilities existing at end of the reporting period.

23 RELATED PARTY TRANSACTIONS

The following table shows the transactions which had been entered into with related parties during the year ended 31 March 2018 and 31 March 2017 as well as the balances with the related parties as at 31 March 2018 and 31 December 2017:

	Transactions with related parties		Amounts owed by related parties		Amounts due to related parties	
	3 months ended		As At		As At	
	31-Mar	31-Mar	31-Mar	31-Dec	31-Mar	31-Dec
	2018	2017	2018	2017	2018	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. *	-	1,782	-	3,858	-	-
Julie's Manufacturing Sdn. Bhd. *	2,244	1,101	2,731	1,267	-	-
STH Wire Industry (M) Sdn. Bhd. @	20	50	9	6	-	-
Purchase of raw material #						
STH Wire Industry (M) Sdn. Bhd.	140	121	-	-	101	66

* 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.

24 EVENTS AFTER THE REPORTING PERIOD

There were no material events subsequent to the end of this financial period.

25 PERFORMANCE REVIEW

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

	3 Months ended			3 Months ended		
	31-Mar	31-Mar	Changes (%)	31-Mar	31-Mar	Changes (%)
	2018	2017		2018	2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	81,887	71,523	14.49%	81,887	71,523	14.49%
Gross Profit	10,035	13,368	-24.93%	10,035	13,368	-24.93%
Profit Before Interest and Tax	4,466	4,093	9.11%	4,466	4,093	9.11%
Profit before tax	3,605	3,450	4.49%	3,606	3,450	4.49%
Profit After tax	2,699	2,891	-6.64%	2,699	2,891	-6.64%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	2,557	2,788	-8.29%	2,557	2,788	-8.29%

The Group recorded revenue growth of 14.49% to RM81.89 million compared to RM71.52 million recorded in the corresponding quarter due to higher sales volume and higher average selling price. The sales volume and average selling price for corrugated cartons and boards has increased by 2.52% and 11.67% respectively compared to the corresponding quarter.

In line with the increase in revenue, profit before tax increased slightly from RM3.45 million in the corresponding quarter to RM3.61 million in the current quarter.

Note : Upon adoption of MFRS 15 beginning 1 Jan 2018, carriage outwards of RM3.346 million is accounted under cost of sales instead of administrative and other expenses in current reporting period.

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

	31-Mar	31-Dec	Changes (%)
	2018	2017	
	RM'000	RM'000	
Revenue	81,887	90,777	-9.79%
Gross Profit	10,035	16,463	-39.05%
Profit Before Interest and Tax	4,466	6,735	-33.69%
Profit before tax	3,605	6,083	-40.74%
Profit After tax	2,699	5,053	-46.59%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	2,557	5,029	-49.15%

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 Group's revenue reduced by 9.79% to RM81.89 million compared to RM90.78 million recorded in the preceding quarter due to lower sales volume and lower average selling price.

Profit before tax decreased from RM6.08 million to RM 3.61 million due to decrease in revenue and higher manufacturing cost.

Note : Upon adoption of MFRS 15 beginning 1 Jan 2018, carriage outwards of RM3.549 million is accounted under cost of sales instead of administrative and other expenses in current reporting period.

26 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 increase in operating 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 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 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 continue HEARING on 26/6/2018, 2/7/2018 and 4/7/2018. 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.

32 DIVIDEND PAYABLE

Refer to Note 20 for details.

33 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	FFCB180001	27	105	10.1.18	12.4.18
Fixed forward contract - less than 1 year	FFCB180002	200	780	10.2.18	14.5.18

34 RATIONALE FOR ENTERING INTO DERIVATIVES

The Group had entered two fixed forward contracts with Bangkok 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 export sales proceeds.

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.:	FFCB180001F	FFCB180002F
Rate contracted:	4.0105	4.0138
Balances as at 31 Mar 2018 (In USD):	26,780	200,000
Rate as at 31 Mar 2018	3.9000	3.9000
Gain on fair value changes of derivatives (In RM)	(2,959.19)	(22,760.00)

37 BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	31-Mar-18	31-Dec-17
	RM'000	RM'000
- Realised	124,569	124,035
- Unrealised	(8,999)	(8,765)
	115,570	115,270
Less : Consolidation adjustments	(42,483)	(44,740)
Total Group retained earnings as per consolidated accounts	73,087	70,530

38 TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 30 to 150 (2017: 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-Mar 2018	31-Mar 2017	31-Mar 2018	31-Mar 2017
	RM'000	RM'000	RM'000	RM'000
Neither past due not impaired	68,555	58,137	2,740	4,132
1 to 30 days past due not impaired	6,959	6,236	-	-
31 to 60 days past due not impaired	2,809	2,141	-	-
More than 61 days past due not impaired	946	1,019	-	-
Total past due not impaired	10,714	9,396	-	-
Impaired	92	306	-	-
	79,361	67,839	2,740	4,132

* Note : The related parties are referring to 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.

39 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT

The auditors' report on the financial statements for the year ended 31 December 2017 was not qualified.

40 AUTHORITY FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors.