

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

| | Note | Current quarter 3 months ended | | Cumulative quarter 9 months ended | |
|---|------|-----------------------------------|-----------------------|--------------------------------------|-----------------------|
| | | 30 Sep 2018 RM'000 | 30 Sep 2017 RM'000 | 30 Sep 2018 RM'000 | 30 Sep 2017 RM'000 |
| Revenue | 7 | 87,809 | 86,745 | 256,116 | 239,923 |
| Cost of sales | | (77,608) | (70,872) | (225,987) | (194,865) |
| Gross profit | | 10,201 | 15,873 | 30,129 | 45,058 |
| Other items of income | | | | | |
| - Interest income | | 44 | 33 | 130 | 57 |
| - Other income | | 351 | 261 | 948 | 1,189 |
| Other items of expense | | | | | |
| - Administrative and other expenses | | (6,760) | (10,223) | (18,831) | (30,254) |
| - Interest expense | | (883) | (868) | (2,669) | (2,223) |
| Profit before tax | 9 | 2,953 | 5,076 | 9,707 | 13,827 |
| Income tax expense | 10 | (813) | (1,473) | (2,848) | (2,930) |
| Profit net of tax | | 2,140 | 3,603 | 6,859 | 10,897 |
| Other comprehensive income, net of tax | | - | - | - | - |
| Total comprehensive income for the period | | 2,140 | 3,603 | 6,859 | 10,897 |
| Profit net of tax, attributable to: | | | | | |
| Owners of the parent | | 2,048 | 3,523 | 6,528 | 10,621 |
| Non-controlling interests | | 92 | 80 | 331 | 276 |
| | | 2,140 | 3,603 | 6,859 | 10,897 |
| Earnings per share attributable to owners of the parent (sen per share): | | | | | |
| - Basic | | 2.76 | 4.75 | 8.80 | 14.32 |
| - Diluted | | 2.76 | 4.75 | 8.80 | 14.32 |

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 30 September 2018

| | Note | 30 Sep 2018 RM'000 | 31 Dec 2017 RM'000 |
|---|------|-----------------------|-----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 96,022 | 100,761 |
| Land use rights | | 6,584 | 6,686 |
| Goodwill | 13 | 1,633 | 1,633 |
| Deferred tax assets | | - | 196 |
| | | <u>104,239</u> | <u>109,276</u> |
| Current assets | | | |
| Inventories | 14 | 50,628 | 53,396 |
| Trade receivables | 37 | 81,222 | 86,252 |
| Other receivables | | 283 | 1,091 |
| Other current assets | | 4,890 | 1,033 |
| Tax recoverable | | 77 | 356 |
| Held-to-maturity investment | 15 | 5,304 | 3,954 |
| Cash and bank balances | 15 | 25,887 | 15,432 |
| Derivatives asset | | - | - |
| | | <u>168,291</u> | <u>161,514</u> |
| TOTAL ASSETS | OK | <u>272,530</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 | | 75,204 | 70,530 |
| | | <u>161,070</u> | <u>156,396</u> |
| Non-controlling interests | | <u>1,509</u> | <u>1,246</u> |
| TOTAL EQUITY | | <u>162,579</u> | <u>157,642</u> |
| Non-current liabilities | | | |
| Loans and borrowings | 18 | 6,810 | 2,288 |
| Deferred tax liabilities | | 9,241 | 9,107 |
| | | <u>16,051</u> | <u>11,395</u> |
| Current liabilities | | | |
| Loans and borrowings | 18 | 60,161 | 66,315 |
| Trade payables | | 23,405 | 24,270 |
| Other payables | | 9,506 | 10,615 |
| Income tax payable | | 828 | 553 |
| | | <u>93,900</u> | <u>101,753</u> |
| TOTAL LIABILITIES | | <u>109,951</u> | <u>113,148</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>272,530</u> | <u>270,790</u> |
| NET ASSETS PER SHARE | | | |
| Attributable to owners of the parent (RM) | | <u>2.14</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
(Company No.: 573695 W)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

| | 9 months ended | |
|---|-----------------------|-----------------------|
| | 30-Sep-2018 RM'000 | 30-Sep-2017 RM'000 |
| Operating activities | | |
| Profit before taxation | 9,708 | 13,828 |
| Adjustments for: | | |
| Depreciation and amortisation : | | |
| - Property, plant & equipment | 10,142 | 9,528 |
| - Land use right | 103 | 97 |
| Property, plant and equipment written off | - | 2 |
| Adjustment for property, plant and equipment | | |
| Allowance for impairment loss on receivable | - | |
| Reversal of impairment loss on trade or other receivable | | |
| (Gain) / loss on disposal of property, plant and equipment | (203) | (149) |
| Unrealised (gain) / loss on foreign exchange | (68) | 19 |
| Bad debts recovered | - | - |
| Bad debts written off | - | - |
| (Gain) / loss on fair value changes of derivatives | - | 7 |
| Interest expense | 2,669 | 2,223 |
| Interest income | (130) | (57) |
| Operating cash flows before changes in working capital | <u>22,221</u> | <u>25,498</u> |
| Decrease / (Increase) in inventories | 2,769 | (18,128) |
| Decrease / (increase) in trade and other receivables | 5,838 | (12,243) |
| (Increase) / decrease in other current assets | (3,857) | 1,660 |
| (Decrease) / increase in trade and other payables | (1,974) | 4,446 |
| Cash generated from operation | <u>24,997</u> | <u>1,233</u> |
| Interest paid | (2,669) | (2,223) |
| Interest income | - | - |
| Taxes paid / refunded | (1,966) | (1,505) |
| Net cash flows from / (used in) operating activities | <u>20,362</u> | <u>(2,495)</u> |
| Investing activities | | |
| Purchase of property, plant and equipment | (5,472) | (10,113) |
| Increase in land use right | - | (1,386) |
| Proceeds from disposal of property, plant and equipment | 271 | 258 |
| Interest received | 130 | 57 |
| (Increase) / decrease in deposit with a licensed bank | (1,350) | 500 |
| Net cash flows used in investing activities | <u>(6,421)</u> | <u>(10,684)</u> |
| Financing activities | | |
| Drawdown of term loan | 3,300 | 1,500 |
| Drawdown of hire purchase | 2,792 | 890 |
| Repayment of term loan | (414) | (430) |
| Repayment of hire purchase | (395) | (231) |
| (Decrease) / Increase in short term borrowings | (6,933) | 22,138 |
| Dividend paid on ordinary shares | (1,854) | - |
| Dividend paid to non-controlling interests | (68) | (68) |
| Net cash flows generated from financing activities | <u>(3,572)</u> | <u>23,799</u> |
| Net increase in cash and cash equivalents | 10,369 | 10,620 |
| Effect of exchange rate changes on cash & cash equivalents | 68 | (19) |
| Cash and cash equivalents at 1 January | 15 | 15,093 |
| Cash and cash equivalents at 30 September | 15 | 25,530 |
| | | 6,407 |
| | | 17,008 |

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 SEPTEMBER 2018**

| | ←----- Attributable to owners of the parent -----→ | | | | | | Non- controlling interests RM'000 | Total Equity RM'000 |
|--|--|----------------------------|------------------------------|--------------------------------|----------------|-----------------|--|---------------------------|
| | < ----- Non Distributable ----- > | | | | Distributable | Total RM'000 | | |
| | Share capital RM'000 | Share premium RM'000 | Treasury shares RM'000 | Retained earnings RM'000 | | | | |
| As at 1 Jan 2018 | 86,407 | - | (541) | 70,530 | 156,396 | 1,246 | 157,642 | |
| Dividend paid to non-controlling interest | - | - | - | - | - | (68) | (68) | |
| Dividend | - | - | - | (1,854) | (1,854) | - | (1,854) | |
| Total comprehensive income for the period | - | - | - | 6,528 | 6,528 | 331 | 6,859 | |
| As at 30 September 2018 | <u>86,407</u> | <u>-</u> | <u>(541)</u> | <u>75,204</u> | <u>161,070</u> | <u>1,509</u> | <u>162,579</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 | - | - | - | - | - | (68) | (68) | |
| Dividend | - | - | - | - | - | - | - | |
| Total comprehensive income for the period | - | - | - | 10,621 | 10,621 | 276 | 10,897 | |
| As at 30 September 2017 | <u>75,251</u> | <u>11,156</u> | <u>(541)</u> | <u>67,469</u> | <u>153,335</u> | <u>1,267</u> | <u>154,602</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 23 Nov 2018.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the year ended 30 September 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 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 | |
|---|--|-----------|
| | 2018 | 2017 |
| 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 | |
|---|---------------------------|---------|--------------------|---------|--------------------------|--------|----------------------------|-----------|---------------------------------------|---------|
| | 30-Sep | 30-Sep | 30-Sep | 30-Sep | 30-Sep | 30-Sep | 30-Sep | 30-Sep | 30-Sep | 30-Sep |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 273,864 | 252,378 | 8,184 | 2,933 | 20,880 | 19,217 | (46,812) | (34,605) | 256,116 | 239,923 |
| Profit attributable to owners of the parent | 7,403 | 11,264 | 6,928 | 2,514 | 46 | 9 | (7,849) | (3,166) | 6,528 | 10,621 |
| Assets | 258,669 | 255,329 | 109,565 | 103,975 | 21,759 | 22,604 | (117,463) | (114,561) | 272,530 | 267,347 |
| Liabilities | 112,387 | 112,476 | 1,337 | 585 | 7,918 | 12,603 | (11,691) | (12,919) | 109,951 | 112,745 |

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 treasury functions and transportation service.

Performance review for financial period to-date

Corrugated board and carton segment :

The revenue increased by 8.51% from RM252.38 million to RM273.86 million which was mainly due to higher sales volume and higher average selling price. However, the profit after tax decreased from RM11.26 million to RM7.40 million due to higher cost of raw materials.

Paper stationery products segment :

The revenue increased by 8.65% from RM19.22 million to RM20.88 million.

This segment recorded a profit after tax of RM46,000 compared to RM9,000 recorded in the previous year corresponding quarter.

7 REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Group's revenue by different type of industries that the Group's customers operate in :

| Type of industry | 9 Months Ended 30 Sep | |
|-------------------------------------|-----------------------|----------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| Paper industry | 73,134 | 65,556 |
| Furniture, rubber, hardware & steel | 58,908 | 52,156 |
| Food based, beverage & Tobacco | 52,012 | 40,724 |
| Electronic & electrical | 42,547 | 58,313 |
| Others | 29,515 | 23,174 |
| | <u>256,116</u> | <u>239,923</u> |

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 | | Cumulative quarter | |
|--|-----------------------|--------|-----------------------|--------|
| | 3 Months Ended 30 Sep | | 9 Months Ended 30 Sep | |
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation of property, plant & equipment | 3,426 | 3,246 | 10,142 | 9,528 |
| Amortisation of land use right | 24 | 32 | 103 | 97 |
| 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 | (98) | 34 | (203) | (149) |
| Property, plant & equipment written off | - | - | - | 2 |
| (Gain) / loss on foreign exchange - realised | (156) | (88) | (355) | (549) |
| (Gain) / loss on foreign exchange - unrealised | (9) | (22) | (68) | 19 |
| Loss on fair value changes of derivatives | - | - | - | 7 |

10 INCOME TAX EXPENSE

| | 3 Months Ended 30 Sep | | 9 Months Ended 30 Sep | |
|--------------|-----------------------|----------------|-----------------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax | (793) | (793) | (2,518) | (1,870) |
| Deferred tax | (20) | (680) | (330) | (1,060) |
| | <u>(813)</u> | <u>(1,473)</u> | <u>(2,848)</u> | <u>(2,930)</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.

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 | | Cumulative quarter | |
|--|-----------------------|---------------|-----------------------|---------------|
| | 3 Months Ended 30 Sep | | 9 Months Ended 30 Sep | |
| | 2018 | 2017 | 2018 | 2017 |
| | 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 | <u>2,048</u> | <u>3,523</u> | <u>6,528</u> | <u>10,621</u> |
| Basic earnings per share (Sen) | <u>2.76</u> | <u>4.75</u> | <u>8.80</u> | <u>14.32</u> |
| Diluted earnings per share (Sen) | <u>2.76</u> | <u>4.75</u> | <u>8.80</u> | <u>14.32</u> |

12 PROPERTY, PLANT AND EQUIPMENT

For the 9 months period ended 30 September 2018, assets with a carrying amount of RM68,411 (2017:RM109,113) were disposed off by the Group resulting in a net gain on disposal of RM202,976 (2017:gain of RM148,575), 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 30 September 2018, there were no write-down of inventories.

15 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

| | 30-Sep 2018 RM'000 | 31-Dec 2017 RM'000 |
|--|-----------------------------------|-----------------------------------|
| <u>Condensed consolidated statement of financial position:</u> | | |
| Cash at bank and in hand | 25,887 | 15,432 |
| Short term deposits with licensed banks | 5,304 | 3,954 |
| Cash and bank balances | <u>31,191</u> | <u>19,386</u> |
| <u>Condensed consolidated statement of cash flows:</u> | | |
| Cash at bank and in hand | 25,887 | 15,432 |
| Bank overdrafts | (357) | (339) |
| Total cash and cash equivalents | <u>25,530</u> | <u>15,093</u> |

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.

As at 30 September 2018, the Group do not hold any financial assets or liabilities that are measured at fair value.

17 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

| | 30-Sep 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 30 Sep 2018 / 31 Dec 2017 | <u>86,407</u> | <u>86,407</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 September 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 | | | 30-Sep 2018 RM'000 | Weighted Average Interest Rate | 30-Sep 2017 RM'000 | Weighted Average Interest Rate | 31-Dec 2017 RM'000 | Weighted Average Interest Rate |
|---------------------------------------|------------|---------------|-----------------------------------|---|-----------------------------------|---|-----------------------------------|---|
| | Fixed rate | Floating rate | | | | | | |
| Short term borrowing (secured) | | | | | | | | |
| Bank overdrafts (floating) | | 100% | 357 | 7.79% | 528 | 7.88% | 339 | 7.68% |
| Charge card | | | 154 | | - | | 171 | |
| Trade bills (floating) | | 100% | 58,085 | 4.25% | 67,705 | 4.09% | 65,001 | 4.03% |
| Hire purchase payables (fixed) | 100% | | 895 | 3.16% | 264 | 3.35% | 354 | 3.49% |
| Term loans (floating) | | 100% | 670 | 5.65% | 474 | 6.13% | 450 | 5.64% |
| | | | <u>60,161</u> | | <u>68,971</u> | | <u>66,315</u> | |
| Long term borrowing (secured) | | | | | | | | |
| Hire purchase payables (fixed) | 100% | | 2,991 | | 683 | | 1,135 | |
| Term loans (floating) | | 100% | 3,819 | | 1,239 | | 1,153 | |
| | | | <u>6,810</u> | | <u>1,922</u> | | <u>2,288</u> | |
| Total borrowing | | | <u>66,971</u> | | <u>70,893</u> | | <u>68,603</u> | |

None of the above borrowings are dominated in foreign currencies.

There were drawdown of term loan amounting to RM3.3 million and hire purchase of RM2.8 million to finance the purchase of property, plant and equipment as at the reporting period.

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 which was approved by the shareholders during the Annual General Meeting held on 25 May 2018 was paid on 16 July 2018.

21 CAPITAL COMMITMENTS

| | 30-Sep 2018 RM'000 | 30-Sep 2017 RM'000 |
|---|-----------------------------------|-----------------------------------|
| Approved and contracted for: | | |
| Purchase of property, plant & equipment | <u>3,632</u> | <u>4,760</u> |

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 30 September 2018 and 30 September 2017 as well as the balances with the related parties as at 30 September 2018 and 31 December 2017:

| | Transactions with related parties | | Amounts owed by related parties | | Amounts due to related parties | |
|--|-----------------------------------|--------|---------------------------------|--------|--------------------------------|--------|
| | 9 months ended | | As At | | As At | |
| | 30-Sep | 30-Sep | 30-Sep | 31-Dec | 30-Sep | 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. * | - | 5,983 | - | 3,858 | - | - |
| Julie's Manufacturing Sdn. Bhd. * | 9,235 | 2,268 | 4,522 | 1,267 | - | - |
| STH Wire Industry (M) Sdn. Bhd. @ | 60 | 76 | 19 | 6 | - | - |
| Purchase of raw material # | | | | | | |
| STH Wire Industry (M) Sdn. Bhd. | 395 | 390 | - | - | 74 | 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 | | | 9 Months ended | | |
|---|----------------|--------|---------|----------------|---------|-------------|
| | 30-Sep | 30-Sep | Changes | 30-Sep | 30-Sep | Changes (%) |
| | 2018 | 2017 | | 2018 | 2017 | |
| | RM'000 | RM'000 | (%) | RM'000 | RM'000 | |
| Revenue | 87,809 | 86,745 | 1.23% | 256,116 | 239,923 | 6.75% |
| Gross Profit | 10,201 | 15,873 | -35.73% | 30,129 | 45,058 | -33.13% |
| Profit Before Interest and Tax | 3,792 | 5,911 | -35.85% | 12,246 | 15,993 | 23.43% |
| Profit before tax | 2,953 | 5,076 | -41.82% | 9,707 | 13,827 | -29.80% |
| Profit After tax | 2,140 | 3,603 | -40.61% | 6,859 | 10,897 | -37.06% |
| Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent | 2,048 | 3,523 | -41.87% | 6,528 | 10,621 | -38.54% |

Despite the decrease in average selling price, the Group managed to record a revenue growth of 1.23% to RM87.81 million compared to RM86.75 million recorded in the corresponding quarter due to higher sales volume. The sales volume has increased by 4.75% but the average selling price for corrugated cartons and boards has reduced by 3.37% compared to the corresponding quarter.

Despite increase in revenue, profit before tax reduced from RM5.08 million in the corresponding quarter to RM2.95 million in the current quarter due to higher manufacturing cost.

Note : Upon adoption of MFRS 15 beginning 1 Jan 2018, carriage outwards of RM4.064 million is accounted under cost of sales instead of administrative and other expenses in current reporting quarter.

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

| | 30-Sep | 30-Jun | Changes |
|---|--------|--------|---------|
| | 2018 | 2018 | |
| | RM'000 | RM'000 | |
| Revenue | 87,809 | 86,420 | 1.61% |
| Gross Profit | 10,201 | 9,893 | 3.11% |
| Profit Before Interest and Tax | 3,792 | 3,988 | -4.91% |
| Profit before tax | 2,953 | 3,149 | -6.22% |
| Profit After tax | 2,140 | 2,020 | 5.94% |
| Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent | 2,048 | 1,923 | 6.50% |

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 Group's revenue increased by 1.61% to RM87.81 million compared to RM86.42 million recorded in the preceding quarter due to higher sales volume.

Profit before tax decreased slightly from RM3.15 million to RM 2.95 million.

26 COMMENTARY ON PROSPECTS

The Group maintains a cautiously positive outlook for the remaining quarter. 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 quarter.

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, Ornaper 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 9/1/2019. 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 |
|---------------------|--------------|---------------------------|----------------------|-----------|-------------|
| NONE | | | | | |

34 RATIONALE FOR ENTERING INTO DERIVATIVES

There were no outstanding foreign exchange contract for the period ended 30 September 2018.

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

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

37 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 | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 30-Sep 2018 RM'000 | 30-Sep 2017 RM'000 | 30-Sep 2018 RM'000 | 30-Sep 2017 RM'000 |
| Neither past due not impaired | 66,022 | 66,640 | 4,541 | 4,061 |
| 1 to 30 days past due not impaired | 10,904 | 8,612 | - | - |
| 31 to 60 days past due not impaired | 2,787 | 2,204 | - | - |
| More than 61 days past due not impaired | 1,509 | 1,358 | - | - |
| Total past due not impaired | 15,200 | 12,174 | - | - |
| Impaired | 92 | 92 | - | - |
| | <u>81,314</u> | <u>78,906</u> | <u>4,541</u> | <u>4,061</u> |

* 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.

38 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT

The auditors' report on the financial statements for the year ended 31 December 2017 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 23 November 2018.