

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

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

	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Revenue	7	93,920	90,776	350,036	330,699
Cost of sales		(82,041)	(75,198)	(308,028)	(270,063)
Gross profit		11,879	15,578	42,008	60,636
Other items of income					
- Interest income		202	203	332	260
- Other income		517	98	1,465	1,287
Other items of expense					
- Administrative and other expenses		(8,002)	(9,054)	(26,833)	(39,308)
- Interest expense		(866)	(844)	(3,535)	(3,067)
Profit before tax	9	3,730	5,981	13,437	19,808
Income tax expense	10	(754)	(1,042)	(3,602)	(3,972)
Profit net of tax		2,976	4,939	9,835	15,836
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		2,976	4,939	9,835	15,836
<b>Profit net of tax, attributable to:</b>					
Owners of the parent		2,868	4,915	9,396	15,536
Non-controlling interests		108	24	439	300
		2,976	4,939	9,835	15,836
<b>Earnings per share attributable to owners of the parent (sen per share):</b>					
- Basic		3.87	6.63	12.67	20.95
- Diluted		3.87	6.63	12.67	20.95

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 December 2018**

	Note	31 Dec 2018 RM'000	31 Dec 2017 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	96,859	100,761
Land use rights		6,529	6,686
Goodwill	13	1,633	1,633
Deferred tax assets		-	196
		<u>105,021</u>	<u>109,276</u>
<b>Current assets</b>			
Inventories	14	47,396	53,396
Trade receivables	37	84,457	86,252
Other receivables		710	1,091
Other current assets		3,601	1,033
Tax recoverable		11	356
Held-to-maturity investment	15	6,437	3,954
Cash and bank balances	15	29,747	15,432
Derivatives asset		-	-
		<u>172,359</u>	<u>161,514</u>
<b>TOTAL ASSETS</b>		<u>277,380</u>	<u>270,790</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	17	86,407	86,407
Share premium	17	-	-
Treasury shares	17	(541)	(541)
Retained earnings		78,072	70,530
		<u>163,938</u>	<u>156,396</u>
<b>Non-controlling interests</b>		1,549	1,246
<b>TOTAL EQUITY</b>		<u>165,487</u>	<u>157,642</u>
<b>Non-current liabilities</b>			
Loans and borrowings	18	6,608	2,288
Deferred tax liabilities		9,115	9,107
		<u>15,723</u>	<u>11,395</u>
<b>Current liabilities</b>			
Loans and borrowings	18	56,424	66,315
Trade payables		25,375	24,270
Other payables		13,353	10,615
Refund liabilities		313	-
Income tax payable		705	553
		<u>96,170</u>	<u>101,753</u>
<b>TOTAL LIABILITIES</b>		<u>111,893</u>	<u>113,148</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>277,380</u>	<u>270,790</u>
<b>NET ASSETS PER SHARE</b>			
Attributable to owners of the parent (RM)		<u>2.18</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 DECEMBER 2018**

	12 months ended	
	31-Dec-2018 RM'000	31-Dec-2017 RM'000
<b>Operating activities</b>		
<b>Profit before taxation</b>	13,436	19,808
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	13,603	12,782
- Land use right	157	137
Property, plant and equipment written off	-	24
Adjustment for property, plant and equipment		
Reversal of impairment loss on trade or other receivable	(339)	(9)
Gain on disposal of property, plant and equipment	(210)	(206)
Unrealised (gain) / loss on foreign exchange	(18)	83
Bad debts recovered	(9)	(22)
Bad debts written off	206	14
Loss on fair value changes of derivatives	-	6
Interest expense	3,535	3,067
Interest income	(332)	(260)
Working capital adjustments :		
Refund liabilities	313	-
<b>Operating cash flows before changes in working capital</b>	<u>30,342</u>	<u>35,424</u>
Decrease / (increase) in inventories	6,000	(16,140)
Decrease / (increase) in trade and other receivables	2,319	(19,556)
(Increase) / decrease in other current assets	(2,568)	1,078
Increase in trade and other payables	3,843	7,658
<b>Cash generated from operation</b>	<u>39,936</u>	<u>8,464</u>
Interest paid	(3,535)	(3,182)
Taxes paid	(2,901)	(2,485)
<b>Net cash flows generated from operating activities</b>	<u>33,500</u>	<u>2,797</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(9,781)	(12,770)
Increase in land use right	-	(1,386)
Proceeds from disposal of property, plant and equipment	290	330
Interest received	332	255
(Increase) / decrease in deposit with a licensed bank	(2,483)	393
<b>Net cash flows used in investing activities</b>	<u>(11,642)</u>	<u>(13,178)</u>
<b>Financing activities</b>		
Drawdown of term loan	3,300	1,500
Drawdown of hire purchase	3,892	800
Repayment of term loan	(665)	(540)
Repayment of hire purchase	(954)	(297)
(Decrease) / increase in short term borrowings	(10,805)	19,605
Dividend paid on ordinary shares	(1,854)	(1,854)
Dividend paid to non-controlling interests	(136)	(113)
<b>Net cash flows (used in) / generated from financing activities</b>	<u>(7,222)</u>	<u>19,101</u>
<b>Net increase in cash and cash equivalents</b>	14,636	8,720
Effect of exchange rate changes on cash & cash equivalents	18	(34)
<b>Cash and cash equivalents at 1 January</b>	<b>15</b> <u>15,093</u>	<u>6,407</u>
<b>Cash and cash equivalents at 31 December</b>	<b>15</b> <u>29,747</u>	<u>15,093</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 DECEMBER 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				
As at 1 Jan 2018	86,407	-	(541)	70,530	156,396	1,246	157,642
Dividend paid to non-controlling interest	-	-	-	-	-	(136)	(136)
Dividend	-	-	-	(1,854)	(1,854)	-	(1,854)
Total comprehensive income for the period	-	-	-	9,396	9,396	439	9,835
As at 31 December 2018	<u>86,407</u>	<u>-</u>	<u>(541)</u>	<u>78,072</u>	<u>163,938</u>	<u>1,549</u>	<u>165,487</u>
As at 1 Jan 2017	75,251	11,156	(541)	56,848	142,714	1,059	143,773
Transition to no-par value regime	11,156	(11,156)					
Dividend paid to non-controlling interest	-	-	-	-	-	(113)	(113)
Dividend	-	-	-	(1,854)	(1,854)	-	(1,854)
Total comprehensive income for the period	-	-	-	15,536	15,536	300	15,836
As at 31 December 2017	<u>86,407</u>	<u>-</u>	<u>(541)</u>	<u>70,530</u>	<u>156,396</u>	<u>1,246</u>	<u>157,642</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 Feb 2019.

**2 BASIS OF PREPARATION**

These condensed consolidated interim financial statements, for the year ended 31 December 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	
	31-Dec 2018	31-Dec 2017	31-Dec 2018	31-Dec 2017	31-Dec 2018	31-Dec 2017	31-Dec 2018	31-Dec 2017	31-Dec 2018	31-Dec 2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	368,568	349,540	9,020	4,239	30,723	28,534	(58,275)	(51,614)	350,036	330,699
Profit	10,240	16,042	7,130	3,452	272	305	(8,246)	(4,263)	9,396	15,536
Assets	259,419	263,164	109,840	103,093	24,059	24,282	(115,938)	(119,749)	277,380	270,790
Liabilities	111,399	116,607	401	96	9,992	13,986	(9,899)	(17,541)	111,893	113,148

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 5.44% from RM349.54 million to RM368.57 million which was mainly due to higher sales volume. However, the profit after tax decreased from RM16.04 million to RM10.24 million due to higher cost of raw materials and operating costs.

**Paper stationery products segment :**

The revenue increased by 8.65% from RM28.53 million to RM30.72 million.

This segment recorded a profit after tax of RM0.27 million compared to RM0.31 million recorded in previous year.

**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	12 Months Ended 31 Dec	
	2018	2017
	RM'000	RM'000
Paper industry	101,958	90,421
Furniture, rubber, hardware & steel	80,648	74,620
Food based, beverage & Tobacco	72,740	58,177
Electronic & electrical	56,965	77,056
Others	37,725	30,425
	<u>350,036</u>	<u>330,699</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 31 Dec		12 Months Ended 31 Dec	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant & equipment	3,461	3,254	13,603	12,782
Amortisation of land use right	54	40	157	137
Reversal of impairment loss on trade receivable	(339)	(9)	(339)	(9)
Bad debts written off	206	14	206	14
Bad debts recovered	(9)	(22)	(9)	(22)
Gain on disposal of property, plant and equipment	(7)	(57)	(210)	(206)
Property, plant & equipment written off	-	22	-	24
(Gain) / loss on foreign exchange - realised	(134)	100	(489)	(449)
Loss / (gain) on foreign exchange - unrealised	50	64	(18)	83
(Gain) / loss on fair value changes of derivatives	-	(1)	-	6

**10 INCOME TAX EXPENSE**

	3 Months Ended 31 Dec		12 Months Ended 31 Dec	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current tax	(880)	(1,415)	(3,398)	(3,285)
Deferred tax	126	373	(204)	(687)
	<u>(754)</u>	<u>(1,042)</u>	<u>(3,602)</u>	<u>(3,972)</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 31 Dec		12 Months Ended 31 Dec	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	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)	<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>2,868</u>	<u>4,915</u>	<u>9,396</u>	<u>15,536</u>
Basic earnings per share (Sen)	<u>3.87</u>	<u>6.63</u>	<u>12.67</u>	<u>20.95</u>
Diluted earnings per share (Sen)	<u>3.87</u>	<u>6.63</u>	<u>12.67</u>	<u>20.95</u>

**12 PROPERTY, PLANT AND EQUIPMENT**

For the 12 months period ended 31 December 2018, assets with a carrying amount of RM80,311 (2017:RM109,528) were disposed off by the Group resulting in a net gain on disposal of RM210,097 (2017:gain of RM205,697), 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 December 2018, there were no write-down of inventories.

**15 CASH AND BANK BALANCES**

Cash and cash equivalents comprised the following amounts:

	31-Dec	31-Dec
	2018	2017
	RM'000	RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	29,747	15,432
Short term deposits with licensed banks	6,437	3,954
Cash and bank balances	<u>36,184</u>	<u>19,386</u>
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	29,747	15,432
Bank overdrafts	-	(339)
Total cash and cash equivalents	<u>29,747</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 31 December 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

	31-Dec 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 Dec 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 31 December 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-Dec	Weighted	31-Dec	Weighted
			2018	Average	2017	Average
			RM'000	Interest Rate	RM'000	Interest Rate
<b>Short term borrowing (secured)</b>						
Bank overdrafts (floating)		100%			339	7.68%
Charge card			157		171	
Trade bills (floating)		100%	54,210	4.24%	65,001	4.03%
Finance lease payables (fixed)	100%		1,064	3.22%	354	3.49%
Term loans (floating)		100%	993	5.90%	450	5.64%
			<u>56,424</u>		<u>66,315</u>	
<b>Long term borrowing (secured)</b>						
Finance lease payables (fixed)	100%		3,363		1,135	
Term loans (floating)		100%	3,245		1,153	
			<u>6,608</u>		<u>2,288</u>	
<b>Total borrowing</b>			<u>63,032</u>		<u>68,603</u>	

None of the above borrowings are dominated in foreign currencies.

There were drawdown of term loan amounting to RM3.300 million and finance lease of RM3.892 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 Board of Directors propose to declare final single tier dividend of 2.5 sen per ordinary share for financial year ended 31 December 2018 which is subject to approval by shareholders in the forthcoming Annual General Meeting.

## 21 CAPITAL COMMITMENTS

	31-Dec 2018 RM'000	31-Dec 2017 RM'000
Approved and contracted for:		
Purchase of property, plant & equipment	<u>4,178</u>	<u>1,703</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 31 December 2018 and 31 December 2017 as well as the balances with the related parties as at 31 December 2018 and 31 December 2017:

	Transactions with related parties		Amounts owed by related parties		Amounts due to related parties	
	12 months ended		As At		As At	
	31-Dec 2018 RM'000	31-Dec 2017 RM'000	31-Dec 2018 RM'000	31-Dec 2017 RM'000	31-Dec 2018 RM'000	31-Dec 2017 RM'000
<b>Sales of carton boxes &amp; stationery products #</b>						
Perfect Food Manufacturing (M) Sdn. Bhd. *	-	8,785	-	3,858	-	-
Julie's Manufacturing Sdn. Bhd. *	13,025	3,234	4,799	1,267	-	-
STH Wire Industry (M) Sdn. Bhd. @	77	83	9	6	-	-
<b>Purchase of raw material #</b>						
STH Wire Industry (M) Sdn. Bhd.	535	504	-	-	81	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			12 Months ended		
	31-Dec 2018 RM'000	31-Dec 2017 RM'000	Changes (%)	31-Dec 2018 RM'000	31-Dec 2017 RM'000	Changes (%)
	Revenue	93,920	90,776	3.46%	350,036	330,699
Gross Profit	11,879	15,578	-23.75%	42,008	60,636	-30.72%
Profit Before Interest and Tax	4,394	6,622	-33.65%	16,640	22,615	-26.42%
Profit before tax	3,730	5,981	-37.64%	13,437	19,808	-32.16%
Profit After tax	2,976	4,939	-39.74%	9,835	15,836	-37.89%
Profit Attributable to Ordinary Equity Holders of the Parent	2,868	4,915	-41.65%	9,396	15,536	-39.52%

The Group managed to record a revenue growth of 3.46% to RM93.92 million compared to RM90.78 million recorded in the corresponding quarter due to higher sales volume. The sales volume has increased by 12% but the average selling price for corrugated cartons and boards has reduced by 8% compared to the corresponding quarter.

Despite increase in revenue, profit before tax reduced from RM5.98 million in the corresponding quarter to RM3.73 million in the current quarter due to higher manufacturing cost.

Note: Upon adoption of MFRS 15 beginning 1 Jan 2018, carriage outwards of RM3.750 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

	31-Dec 2018 RM'000	30-Sep 2018 RM'000	Changes (%)
	Revenue	93,920	87,809
Gross Profit	11,879	10,201	16.45%
Profit Before Interest and Tax	4,394	3,792	15.88%
Profit before tax	3,730	2,953	26.31%
Profit After tax	2,976	2,140	39.07%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	2,868	2,048	40.04%

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 increased by 6.96% to RM93.92 million compared to RM87.81 million recorded in the preceding quarter due to higher sales volume and higher average selling price.

In line with the increase with the revenue, profit before tax increased from RM2.95 million to RM 3.73 million.

**26 COMMENTARY ON PROSPECTS**

The Group maintains cautiously positive outlook for the year 2019. The Group will continue to strengthen the market position, customer base, 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 coming year.

**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, 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 case management on 27/2/2019. 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 31 December 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	
	31-Dec 2018 RM'000	31-Dec 2017 RM'000	31-Dec 2018 RM'000	31-Dec 2017 RM'000
Neither past due nor impaired	65,828	62,891	4,808	5,131
1 to 30 days past due not impaired	12,709	15,602	-	-
31 to 60 days past due not impaired	4,441	5,686	-	-
More than 61 days past due not impaired	1,479	2,073	-	-
Total past due not impaired	18,629	23,361	-	-
Impaired	92	348	-	-
	<u>84,549</u>	<u>86,600</u>	<u>4,808</u>	<u>5,131</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 25 February 2018.