

ORNAPAPER BERHAD

(Company No.: 573695 W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DEC 2019**

	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31 Dec 2019 RM'000	31 Dec 2018 RM'000	31 Dec 2019 RM'000	31 Dec 2018 RM'000
Revenue	7	90,909	93,737	331,580	349,853
Cost of sales		(76,054)	(81,880)	(282,734)	(307,867)
Gross profit		14,855	11,857	48,846	41,986
Other items of income					
- Interest income		320	201	604	331
- Other income		174	515	685	1,463
Other items of expense					
- Administrative and other expenses		(7,450)	(7,947)	(28,418)	(26,778)
- Interest expense		(865)	(888)	(3,573)	(3,557)
Profit before tax	9	7,034	3,738	18,144	13,445
Income tax expense	10	(1,655)	(749)	(4,673)	(3,597)
Profit net of tax		5,379	2,989	13,471	9,848
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		5,379	2,989	13,471	9,848
Profit net of tax, attributable to:					
Owners of the parent		5,312	2,901	13,204	9,429
Non-controlling interests		67	88	267	419
		5,379	2,989	13,471	9,848

ORNAPAPER BERHAD
 (Company No.: 573695 W)
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DEC 2019**

	Note	31 Dec 2019 RM'000	31 Dec 2018 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	89,777	96,848
Land use rights		-	6,529
Right of use assets		22,159	-
Goodwill	13	1,633	1,633
Deferred tax assets		-	713
		<u>113,569</u>	<u>105,723</u>
Current assets			
Inventories	14	54,193	47,397
Right of return assets		217	110
Trade receivables	37	77,413	84,273
Other receivables		397	805
Other current assets		6,189	3,745
Tax recoverable		275	11
Deposits with licensed banks	15	6,652	6,436
Cash and bank balances	15	36,640	29,747
		<u>181,976</u>	<u>172,524</u>
TOTAL ASSETS		<u>295,545</u>	<u>278,247</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	17	86,407	86,407
Treasury shares	17	(541)	(541)
Retained earnings		89,455	78,105
		<u>175,321</u>	<u>163,971</u>
Non-controlling interests		1,661	1,530
TOTAL EQUITY		<u>176,982</u>	<u>165,501</u>
Non-current liabilities			
Loans and borrowings	18	2,307	6,628
Deferred tax liabilities		10,137	9,822
Lease liabilities		4,858	-
		<u>17,302</u>	<u>16,450</u>
Current liabilities			
Loans and borrowings	18	63,248	56,403
Trade payables		21,040	25,348
Other payables		13,051	13,215
Refund liabilities		762	628
Lease liabilities		2,256	-
Income tax payable		900	702
Derivatives liabilities		4	-
		<u>101,261</u>	<u>96,296</u>
TOTAL LIABILITIES		<u>118,563</u>	<u>112,746</u>
TOTAL EQUITY AND LIABILITIES		<u>295,545</u>	<u>278,247</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>2.36</u>	<u>2.21</u>

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

ORNAPAPER BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DEC 2019**

	12 months ended	
	31-Dec-2019 RM'000	31-Dec-2018 RM'000
Operating activities		
Profit before taxation	18,144	13,445
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	12,991	13,524
- Land use right	-	157
- Right of use assets	1,507	-
Property, plant and equipment written off	279	2
Inventories written off	749	-
Impairment loss on trade or other receivable	529	-
Reversal of impairment loss on trade or other receivable	-	(339)
Gain on disposal of property, plant and equipment	(121)	(210)
Unrealised gain on foreign exchange	-	(15)
Bad debts recovered	(23)	(9)
Bad debts written off	3	235
Fair value changes of derivatives	4	-
Interest expense	3,300	3,557
Interest expense on lease liabilities	274	-
Interest income	(604)	(331)
Operating cash flows before changes in working capital	<u>37,032</u>	<u>30,016</u>
Working capital adjustments :		
(Increase) / decrease in inventories and right of return assets	(7,653)	5,889
Decrease in trade and other receivables	6,761	2,404
Increase in other current assets	(247)	(929)
(Decrease) / increase in payables and refund liabilities	<u>(5,366)</u>	<u>3,202</u>
Cash generated from operation	30,527	40,582
Taxes paid	<u>(3,714)</u>	<u>(2,905)</u>
Net cash flows generated from operating activities	<u>26,813</u>	<u>37,677</u>
Investing activities		
Purchase of property, plant and equipment	(20,234)	(8,484)
Proceeds from disposal of property, plant and equipment	278	291
Interest received	604	173
Increase in deposit with a licensed bank	(216)	(2,350)
Net cash flows used in investing activities	<u>(19,568)</u>	<u>(10,370)</u>
Financing activities		
Drawdown of term loan	-	3,300
Drawdown of finance lease	-	2,219
Repayment of term loan	(996)	(667)
Repayment of finance lease	(1,290)	(954)
Repayment of lease liabilities	(450)	-
Increase / (decrease) in short term borrowings	6,454	(10,804)
Interest paid	(3,300)	(3,773)
Interest expense on lease liabilities	(274)	-
Dividend paid on ordinary shares	(1,854)	(1,854)
Dividend paid to non-controlling interests	(135)	(135)
Net cash flows generated from financing activities	<u>(1,845)</u>	<u>(12,668)</u>
Net increase in cash and cash equivalents	5,400	14,639
Effect of exchange rate changes on cash & cash equivalents	-	15
Cash and cash equivalents at 1 January	15 <u>29,747</u>	15 <u>15,093</u>
Cash and cash equivalents at 31 December	15 <u>35,147</u>	15 <u>29,747</u>

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

ORNAPAPER BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 31 DEC 2019**

	<----- Attributable to owners of the parent ----->					
	< ----- Non	Distributable			Non-	Total
	Share	Treasury	Retained	Total	controlling	Equity
	capital	shares	earnings	RM'000	interests	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 Jan 2019	86,407	(541)	78,105	163,971	1,530	165,501
Dividend paid to non-controlling interest	-	-	-	-	(136)	(136)
Dividend	-	-	(1,854)	(1,854)	-	(1,854)
Total comprehensive income for the period	-	-	13,204	13,204	267	13,471
As at 31 Dec 2019	<u>86,407</u>	<u>(541)</u>	<u>89,455</u>	<u>175,321</u>	<u>1,661</u>	<u>176,982</u>
As at 1 Jan 2018	86,407	(541)	70,530	156,396	1,246	157,642
Dividend paid to non-controlling interest	-	-	-	-	(135)	(135)
Dividend	-	-	(1,854)	(1,854)	-	(1,854)
Total comprehensive income for the period	-	-	9,429	9,429	419	9,848
As at 31 Dec 2018	<u>86,407</u>	<u>(541)</u>	<u>78,105</u>	<u>163,971</u>	<u>1,530</u>	<u>165,501</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 February 2019.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the year ended 31 December 2019, 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 2018 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 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 During the current financial period as at 31 December 2019, the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

MFRS 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Annual Improvements to MFRS Standards 2015 – 2017 Cycles

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

MFRS 16: Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure. MFRS 16 requires a lessee to recognise right-of-use assets and lease liabilities for all leases which a term of more than 12 months whereby the right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method.

The impact on the financial statements of the Group upon its Initial application of MFRS 16 are disclosed as below :

	As at 31-Dec 2018 RM'000	Effect of MFRS 16 RM'000	As at 01-Jan 2019 RM'000
Non-Current Asset			
Property, plant & equipment	99,287	(12,375)	86,912
Land use rights	6,529	(6,529)	-
Right-of-use assets	-	20,501	20,501
Current Liabilities			
Finance lease payables	(1,043)	1,043	-
Lease liabilities	-	(1,429)	(1,429)
Non-current Liabilities			
Finance lease payables	(3,384)	3,384	-
Lease liabilities	-	(4,538)	(4,538)

3.2 The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Effective Date

MFRS 17 Insurance Contracts

01-Jan-21

Amendments to MFRS 3: Definition of a Business

01-Jan-20

Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform

01-Jan-20

Amendments to MFRS 101 and MFRS 108: Definition of Material

01-Jan-20

Amendments to References to the Conceptual Framework in MFRS Standards

01-Jan-20

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their 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 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	347,289	368,498	5,070	9,019	22,128	30,613	(42,907)	(58,277)	331,580	349,853
Profit/(loss)	14,461	10,199	1,852	7,130	(397)	248	(2,712)	(8,148)	13,204	9,429
Assets	267,785	260,132	110,713	109,842	32,380	24,169	(115,333)	(115,896)	295,545	278,247
Liabilities	107,009	112,174	2,192	381	18,731	10,126	(9,369)	(9,935)	118,563	112,746

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 decreased by 5.76% from RM368.50 million to RM347.29 million which was mainly due to lower average selling price.

However, the profit after tax increased from RM10.20 million to RM14.46 million due to better margin resulted from lower cost of raw materials.

Paper stationery products segment :

The revenue decreased by 27.70% from RM30.61 million to RM22.13 million due to decrease in sales volume resulted from price competition.

This has resulted this segment recorded a loss after tax of RM397 thousand compared to a profit after tax of RM248 thousand 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	
	2019	2018
	RM'000	RM'000
Paper industry	90,336	101,775
Furniture, rubber, hardware & steel	85,782	80,648
Food based, beverage & Tobacco	70,399	72,740
Electronic & electrical	51,226	56,965
Others	33,837	37,725
	<u>331,580</u>	<u>349,853</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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income	(320)	(201)	(604)	(331)
Interest expense	674	888	3,382	3,557
Interest expense on lease liabilities	192	-	192	-
Depreciation of property, plant & equipment	2,765	3,382	12,991	13,524
Depreciation on right of use assets	1,507	-	1,507	-
Amortisation of land use right	-	53	-	157
Impairment loss on trade & other receivables	-	-	529	-
Reversal of impairment loss on trade receivable	-	(339)	-	(339)
Bad debts written off	-	235	3	235
Bad debts recovered	(23)	(9)	(23)	(9)
Inventories written off	749	-	749	-
Gain on disposal of property, plant and equipment	24	(7)	(121)	(210)
Property, plant & equipment written off	279	2	279	2
Loss / (Gain) on foreign exchange - realised	72	(134)	(1)	(489)
(Gain) on foreign exchange - unrealised	5	53	-	(15)
Fair value changes of derivatives	4	-	4	-

10 INCOME TAX EXPENSE

	Current quarter		Cumulative quarter	
	3 Months Ended 31 Dec		12 Months Ended 31 Dec	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current tax	(747)	(881)	(3,645)	(3,399)
Deferred tax	(908)	132	(1,028)	(198)
	<u>(1,655)</u>	<u>(749)</u>	<u>(4,673)</u>	<u>(3,597)</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	
	2019	2018	2019	2018
	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)	74,153	74,153	74,153	74,153
Net profit attributable to ordinary equity holders of the parent (RM'000)	5,312	2,901	13,204	9,429
Basic earning per share (Sen)	7.16	3.91	17.81	12.72
Diluted earnings per share (Sen)	7.16	3.91	17.81	12.72

12 PROPERTY, PLANT AND EQUIPMENT

For the 12 months period ended 31 December 2019, assets with a carrying amount of RM157,720 (2018:RM80,311) were disposed off by the Group resulting in a net gain on disposal of RM120,670 (2018:gain of RM210,097), 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 2018.

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

14 INVENTORIES

Inventories amounted to RM748,964.58 had been written off during the current quarter.

15 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

	31-Dec 2019 RM'000	31-Dec 2018 RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	36,640	29,747
Short term deposits with licensed banks	6,652	6,436
Cash and bank balances	43,292	36,183
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	36,640	29,747
Bank overdrafts	(1,493)	-
Total cash and cash equivalents	35,147	29,747

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 2019, the Group do not hold any financial assets or liabilities that are measured at fair value.

17 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

There were no issuance or re-purchase of ordinary shares during the financial period ended 31 December 2019.

18 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
			2019	Average	2018	Average
			RM'000	Interest Rate	RM'000	Interest Rate
Short term borrowing (secured)						
Bank overdrafts (floating)		100%	1,493	7.52%		
Charge card			-		157	
Trade bills (floating)		100%	60,821	4.06%	54,211	4.33%
Finance lease payables (fixed)	100%			3.24%	1,043	3.85%
Term loans (floating)		100%	934	6.33%	992	6.24%
			<u>63,248</u>		<u>56,403</u>	
Long term borrowing (secured)						
Finance lease payables (fixed)	100%				3,384	
Term loans (floating)		100%	2,307		3,244	
			<u>2,307</u>		<u>6,628</u>	
Total borrowing			<u>65,555</u>		<u>63,031</u>	

None of the above borrowings are dominated in foreign currencies.

Upon adoption of MFRS 16 Leases on 1 January 2019, finance lease payables was to reclassified to lease liabilities.

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 3 sen per ordinary share for financial year ended 31 December 2019 which is subject to approval by shareholders in the forthcoming Annual General Meeting.

21 CAPITAL COMMITMENTS

	31-Dec	31-Dec
	2019	2018
	RM'000	RM'000
Approved and contracted for:		
Purchase of property, plant & equipment	8,671	3,680

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 2019 and 31 December 2018 as well as the balances with the related parties as at 31 December 2019 and 31 December 2018:

	Transactions with related parties		Amounts owed by related parties		Amounts due to related parties	
	12 months ended		As At		As At	
	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of carton boxes & stationery products #						
Julie's Manufacturing Sdn. Bhd. *	10,711	13,025	4,019	4,799	-	-
STH Wire Industry (M) Sdn. Bhd. @	63	77	3	9	-	-
Purchase of raw material #						
STH Wire Industry (M) Sdn. Bhd.	498	535	-	-	62	81

* Companies in which Sai Chin Hock, a director and substantial shareholder, has interest
Companies in which Sai Ah Sai, a director, has interest

@ Companies in which Sai Han Siong (the son of Sai Ah Sai and nephew of Sai Chin Hock), has indirect 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**

	Current quarter 3 Months ended			Cumulative quarter 12 Months ended		
	31-Dec 2019	31-Dec 2018	Changes (%)	31-Dec 2019	31-Dec 2018	Changes (%)
	RM'000	RM'000		RM'000	RM'000	
Revenue	90,909	93,737	-3.02%	331,580	349,853	-5.22%
Gross Profit	14,855	11,857	25.28%	48,846	41,986	16.34%
Profit Before Interest and Tax	7,579	4,425	71.28%	21,113	16,671	26.65%
Profit before tax	7,034	3,738	88.18%	18,144	13,445	34.95%
Profit After tax	5,379	2,989	79.96%	13,471	9,848	36.79%
Profit Attributable to Ordinary Equity Holders of the Parent	5,312	2,901	83.11%	13,204	9,429	40.04%

The Group's revenue decreased by 3.02% to RM90.91 million compared to RM93.74 million recorded in the corresponding quarter mainly due to decrease in average selling price by 2.51% and sales volume by 0.51%. The decrease in average selling price was mainly driven by the decrease in raw material price in the paper industry.

Despite the decrease in revenue, profit before tax increased by 88.18% from RM3.74 million to RM7.03 million due to better margin resulted from lower cost of raw materials.

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

	31-Dec 2019	30-Sep 2019	Changes (%)
	RM'000	RM'000	
Revenue	90,909	81,253	11.88%
Gross Profit	14,855	12,350	20.28%
Profit Before Interest and Tax	7,579	5,058	49.84%
Profit before tax	7,034	4,329	62.49%
Profit After tax	5,379	3,446	56.09%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	5,312	3,440	54.42%

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 11.88% to RM90.91 million compared to RM81.25 million recorded in the preceding quarter.

In-line with the increase in revenue and lower cost of raw materials, profit before tax increased from RM4.33 million to RM 7.03 million.

26 COMMENTARY ON PROSPECTS

The Board of Directors maintain a cautious outlook for the Group's performance in the coming financial year 2020 as the business environment continues to remain challenging amid the local and global uncertainties arising from the outbreak of the novel coronavirus (COVID-19) and the rising labour costs due to the implementation of the minimum wages policy.

The Group will continue its effort to align its business strategies and improve operating efficiency in order to mitigate the effects of the challenging business environment.

The Board of Directors is cautiously optimistic that the Group will maintain their positive financial performance in 2020.

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 "SUBMISSION OF PRELIMINARY ISSUE" was submitted by our lawyers to Mahkamah Perusahaan Kuala Lumpur. The matter is now pending decision for a date to be fixed by the Court.

32 DIVIDEND PAYABLE

Refer to Note 20 for details.

33 DISCLOSURE OF NATURE OF OUTSTANDING DERIVATIVES

Type of Derivatives	Contract No.	Contract Value	Fair Value	Book Date	Expiry Date
Maybank Fixed forward - less than 1 year	FJ1109206	100	412.55	08-11-19	13-01-20

34 RATIONALE FOR ENTERING INTO DERIVATIVES

The Group had entered one fixed forward contract with Maybank 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"), Singapore Dollars ("SGD") and EURO Dollars ("EURO"). 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.:	FJ1109206
Rate contracted:	4.1665
Balances as at 31 Dec 2019 (In USD):	100,000
Rate as at 31 Dec 2019	4.1255
Gain on fair value changes of derivatives (In RM)	(4,100)

37 TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 30 to 150 (2018: 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 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	66,071	59,440	4,022	4,541
1 to 30 days past due not impaired	7,077	16,963	-	-
31 to 60 days past due not impaired	2,859	5,381	-	-
More than 61 days past due not impaired	1,996	2,614	-	-
Total past due not impaired	11,932	24,958	-	-
Impaired	(590)	(125)	-	-
	<u>77,413</u>	<u>84,273</u>	<u>4,022</u>	<u>4,541</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 2018 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 2019.