

ORNAPAPER BERHAD

[Registration No.: 200201006032 (573695 W)]
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

	Note	Current quarter		Cumulative quarter	
		3 months ended		9 months ended	
		30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
		RM'000	RM'000	RM'000	RM'000
Revenue	7	84,056	81,253	218,216	240,671
Cost of sales		(69,706)	(68,903)	(185,400)	(206,680)
Gross profit		14,350	12,350	32,816	33,991
Other items of income					
- Interest income		262	75	751	284
- Other income		396	228	691	511
Other items of expense					
- Administrative and other expenses		(7,552)	(7,520)	(20,055)	(20,968)
- Net impairment loss on receivable		-	-	-	-
- Finance costs		(910)	(804)	(2,796)	(2,708)
Profit before tax	9	6,546	4,329	11,407	11,110
Income tax expense	10	(1,571)	(883)	(3,465)	(3,018)
Profit net of tax		4,975	3,446	7,942	8,092
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		4,975	3,446	7,942	8,092
Profit net of tax, attributable to:					
Owners of the parent		4,920	3,440	7,771	7,892
Non-controlling interests		55	6	171	200
		4,975	3,446	7,942	8,092
Earnings per share attributable to owners of the parent (sen per share):					
- Basic	11	6.63	4.64	10.48	10.64
- Diluted	11	6.63	4.64	10.48	10.64

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

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

	Note	30 Sep 2020 RM'000	31 Dec 2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	84,466	89,782
Right of use assets		28,776	22,159
Goodwill	13	1,633	1,633
		<u>114,875</u>	<u>113,574</u>
Current assets			
Inventories	14	52,887	54,193
Right of return assets		217	217
Trade receivables	38	72,357	77,413
Other receivables		404	397
Other current assets		5,289	6,189
Tax recoverable		534	275
Deposits with licensed banks	15	6,674	6,652
Cash and bank balances	15	60,754	36,640
		<u>199,116</u>	<u>181,976</u>
TOTAL ASSETS		<u>313,991</u>	<u>295,550</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	17	86,407	86,407
Treasury shares	17	(541)	(541)
Retained earnings		95,007	89,461
		<u>180,873</u>	<u>175,327</u>
Non-controlling interests		<u>1,764</u>	<u>1,661</u>
TOTAL EQUITY		<u>182,637</u>	<u>176,988</u>
Non-current liabilities			
Loans and borrowings	18	2,591	2,307
Deferred tax liabilities		10,097	10,137
Lease liabilities	19	7,442	4,858
		<u>20,130</u>	<u>17,302</u>
Current liabilities			
Loans and borrowings	18	71,382	63,248
Trade payables		21,186	20,815
Other payables		13,375	13,276
Refund liabilities		491	762
Lease liabilities	19	2,447	2,256
Income tax payable		2,343	899
Derivatives liabilities		-	4
		<u>111,224</u>	<u>101,260</u>
TOTAL LIABILITIES		<u>131,354</u>	<u>118,562</u>
TOTAL EQUITY AND LIABILITIES		<u>313,991</u>	<u>295,550</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>2.44</u>	<u>2.36</u>

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

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

	9 months ended	
	30-Sep-2020 RM'000	30-Sep-2019 RM'000
Operating activities		
Profit before taxation	11,407	11,110
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	10,548	10,226
- Land use right	-	118
- Right of use assets	1,696	-
Net Impairment loss on trade or other receivable		529
Loss / (Gain) on disposal of property, plant and equipment	16	(145)
Unrealised gain on foreign exchange	4	(5)
Bad debts written off		3
Fair value changes of derivatives	(4)	-
Interest expense	1,858	2,268
Interest expense on lease liabilities	447	-
Interest income	(751)	(284)
Operating cash flows before changes in working capital	<u>25,221</u>	<u>23,820</u>
Working capital adjustments :		
Decrease / (Increase) in inventories and right of return assets	1,306	(2,237)
Decrease in trade and other receivables	5,049	15,349
Increase in other current assets	(97)	(299)
Increase / (Decrease) in payables and refund liabilities	199	(12,151)
Cash generated from operation	<u>31,678</u>	<u>24,482</u>
Taxes paid	(2,321)	(2,449)
Net cash flows generated from operating activities	<u>29,357</u>	<u>22,033</u>
Investing activities		
Purchase of property, plant and equipment	(12,497)	(14,404)
Proceeds from disposal of property, plant and equipment	204	268
Interest received	751	284
Increase in deposit with a licensed bank	-	(1)
Net cash flows used in investing activities	<u>(11,542)</u>	<u>(13,853)</u>
Financing activities		
Drawdown of term loan	620	-
Drawdown of finance lease	4,511	1,407
Repayment of term loan	(557)	(769)
Repayment of lease liabilities	(2,006)	(536)
Increase / (Decrease) in short term borrowings	8,719	(5,177)
Interest paid	(1,858)	(2,268)
Interest expense on lease liabilities	(447)	-
Dividend paid on ordinary shares	(2,225)	(1,854)
Dividend paid to non-controlling interests	(68)	(68)
Net cash flows generated from financing activities	<u>6,689</u>	<u>(9,265)</u>
Net increase in cash and cash equivalents	24,504	(1,085)
Effect of exchange rate changes on cash & cash equivalents	(4)	5
Cash and cash equivalents at 1 January	15 <u>37,525</u>	<u>29,747</u>
Cash and cash equivalents at 30 September	15 <u>62,025</u>	<u>28,667</u>

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

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

	<----- Attributable to owners of the parent ----->					
	< ----- Non Share capital RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total Equity RM'000
As at 1 Jan 2020	86,407	(541)	89,461	175,327	1,661	176,988
Dividend paid to non-controlling interest	-	-	-	-	(68)	(68)
Dividend	-	-	(2,225)	(2,225)	-	(2,225)
Total comprehensive income for the period	-	-	7,771	7,771	171	7,942
As at 30 September 2020	<u>86,407</u>	<u>(541)</u>	<u>95,007</u>	<u>180,873</u>	<u>1,764</u>	<u>182,637</u>
As at 1 Jan 2019	86,407	(541)	78,105	163,971	1,530	165,501
Dividend paid to non-controlling interest	-	-	-	-	(68)	(68)
Dividend	-	-	(1,854)	(1,854)	-	(1,854)
Total comprehensive income for the period	-	-	7,892	7,892	200	8,092
As at 30 September 2019	<u>86,407</u>	<u>(541)</u>	<u>84,143</u>	<u>170,009</u>	<u>1,662</u>	<u>171,671</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 19 November 2020.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the year ending 31 December 2020, 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 2019 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 2019.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 During the current financial period as at 30 September 2020, 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)

Amendments to MFRS 3: Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108: Definition of Material
Amendments to Reference to the Conceptual Framework in MFRS Standards

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	01-01-2023 *
Amendments to MFRS 3: Reference to the Conceptual Framework	01-Jan-22
	At issue date of
Amendments to MFRS 4: Extension of the temporary Exemption from applying MFRS 9	17-08-2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform-Phase 2	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
Amendments to MFRS 16: Covid-19-Related Rent Concessions	01-Jun-20
Amendments to MFRS 17 Insurance Contracts	01-01-2023 **
Amendments to MFRS 101 : Classification of Liabilities as Current or Non-current	01-Jan-23
Amendments to MFRS 116: Property, Plant & Equipment - Proceeds before Intended Use	01-Jan-22
Amendments to MFRS 137: Onerous Contracts - Cost of fulfilling a Contract	01-Jan-22
Annual Improvements to MFRS Standards 2018-2020	01-Jan-22

* The effective date has been deferred from annual reporting periods beginning on or after 1 January 2021 to 1 January 2023 pursuant to the amendments to MFRS 17 issued by the MASB, namely 'Amendments to MFRS 17 Insurance Contracts'

** The effective date has been deferred from annual reporting periods beginning on or after 1 January 2021 to 1 January 2023 pursuant to the amendments to MFRS 10 issued by the MASB, namely 'Classification of Liabilities as Current or Non-current' - Deferral of Effective Date

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	
	30-Sep 2020	30-Sep 2019	30-Sep 2020	30-Sep 2019	30-Sep 2020	30-Sep 2019	30-Sep 2020	30-Sep 2019	30-Sep 2020	30-Sep 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	234,666	257,145	4,302	3,884	11,908	11,829	(32,660)	(32,187)	218,216	240,671
Profit/(loss)	9,747	9,176	2,121	1,554	(1,555)	(466)	(2,542)	(2,372)	7,771	7,892
Assets	292,871	247,912	110,257	109,755	26,688	24,504	(115,825)	(113,452)	313,991	268,719
Liabilities	124,787	93,039	1,839	574	14,593	10,926	(9,865)	(7,491)	131,354	97,048

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 8.74% from RM257.15 million to RM234.67 million due to lower sales volume and lower average selling price.

Despite the decreased in revenue, profit after tax increased from RM9.18 million to RM9.75 million due to lower production and operational costs.

Paper stationery products segment :

The revenue increased slightly by 0.67% from RM11.83 million to RM11.91 million due to higher sales volume.

This segment recorded a loss after tax of RM1.56 million compared to RM0.466 million due to lower average selling price and higher operational costs.

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	
	2020	2019
	RM'000	RM'000
Paper industry	59,980	62,261
Furniture, rubber, hardware & steel	58,772	62,774
Food based, beverage & Tobacco	46,485	52,702
Electronic & electrical	29,898	37,792
Others	23,081	25,142
	<u>218,216</u>	<u>240,671</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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest income	(262)	(75)	(751)	(284)
Interest expense	637	684	1,858	2,268
Interest expense on lease liabilities	117	-	447	-
Depreciation of property, plant & equipment	3,800	3,520	10,548	10,226
Depreciation on right of use assets	585	39	1,696	118
Net Impairment loss on trade & other receivables		529		529
Bad debts written off		3		3
Loss / (Gain) on disposal of property, plant and equipment	(17)	(103)	16	(145)
Loss / (Gain) on foreign exchange - realised	(73)	3	(202)	(73)
(Gain) on foreign exchange - unrealised	18	(1)	4	(5)
Fair value changes of derivatives	-	-	(4)	-

10 INCOME TAX EXPENSE

	Current quarter		Cumulative quarter	
	3 Months Ended 30 Sep		9 Months Ended 30 Sep	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current tax	(1,781)	(903)	(3,505)	(2,898)
Deferred tax	210	20	40	(120)
	<u>(1,571)</u>	<u>(883)</u>	<u>(3,465)</u>	<u>(3,018)</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	
	2020	2019	2020	2019
	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)	4,920	3,440	7,771	7,892
Basic earning per share (Sen)	6.63	4.64	10.48	10.64
Diluted earnings per share (Sen)	6.63	4.64	10.48	10.64

12 PROPERTY, PLANT AND EQUIPMENT

For the 9 months period ended 30 September 2020, assets with a carrying amount of RM220,353 (2019:RM123,189) were disposed off by the Group resulting in a net loss on disposal of RM16,004 (2019:gain of RM144,707), recognised and included in the statement of profit or loss.

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 2019.

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

14 INVENTORIES

During the period ended 30 September 2020, there were no write-down of inventories.

15 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

	30-Sep 2020 RM'000	31-Dec 2019 RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	60,754	36,640
Short term deposits with licensed banks	6,674	6,652
Cash and bank balances	<u>67,428</u>	<u>43,292</u>
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	60,754	36,640
Short term deposits with licensed banks	6,674	6,652
Bank overdrafts	(1,129)	(1,493)
Total cash and cash equivalents	66,299	41,799
Less : Deposits pledged to licensed banks	(4,274)	(4,274)
	<u>62,025</u>	<u>37,525</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 2020, 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 30 September 2020.

18 LOANS AND BORROWINGS

The borrowings of the Group as at the end of the current financial quarter were as follows:-

Type of Borrowing	Floating rate	30-Sep	Weighted	31-Dec	Weighted
		2020	Average	2019	Average
		RM'000	Interest Rate	RM'000	Interest Rate
Short term borrowing (secured)					
Bank overdrafts (floating)	100%	1,129	6.92%	1,493	7.78%
Trade bills (floating)	100%	69,540	2.71%	60,821	4.01%
Term loans (floating)	100%	713	6.03%	934	6.19%
		<u>71,382</u>		<u>63,248</u>	
Long term borrowing (secured)					
Term loans (floating)	100%	2,591		2,307	
		<u>2,591</u>		<u>2,307</u>	
Total borrowing		<u>73,973</u>		<u>65,555</u>	

None of the above borrowings are dominated in foreign currencies.

19 LEASE LIABILITIES

	30-Sep	31-Dec
	2020	2019
	RM'000	RM'000
As at 1 January	7,114	-
- Initial application of MFRS 16	-	5,967
Additional during the year	4,781	2,887
Interest expense recognised in profit or loss	447	359
Repayment of principal	(2,006)	(1,740)
Repayment of interest expenses	(447)	(359)
	<u>9,889</u>	<u>7,114</u>

20 PROVISIONS FOR COST OF RESTRUCTURING

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

21 DIVIDENDS

The final single tier dividend of 3 sen per ordinary share for financial year ended 31 December 2019 which had been approved by shareholders in the 18th Annual General Meeting on 24 July 2020 was paid on 15 September 2020. There were no dividends declared for the quarter under review.

22 CAPITAL COMMITMENTS

	30-Sep	30-Sep
	2020	2019
	RM'000	RM'000
Approved and contracted for:		
Purchase of property, plant & equipment	<u>5,889</u>	<u>12,014</u>

23 CONTINGENCIES

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

24 RELATED PARTY TRANSACTIONS

The following table shows the transactions which had been entered into with related parties in the current financial period ended 30 September 2020 and 30 September 2019 as well as the balances with the related parties as at 30 September 2020 and 31 December 2019:

	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
	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of carton boxes & stationery products #						
Julie's Manufacturing Sdn. Bhd. *	7,656	7,758	4,084	3,626	-	-
STH Wire Industry (M) Sdn. Bhd. @	54	50	7	10	-	-
Purchase of raw material #						
STH Wire Industry (M) Sdn. Bhd.	333	380	-	-	73	69

* 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.

25 EVENTS AFTER THE REPORTING PERIOD

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

26 PERFORMANCE REVIEW

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

	Current quarter 3 Months ended			Cumulative quarter 9 Months ended		
	30-Sep 2020	30-Sep 2019	Changes (%)	30-Sep 2020	30-Sep 2019	Changes (%)
	RM'000	RM'000		RM'000	RM'000	
Revenue	84,056	81,253	3.45%	218,216	240,671	-9.33%
Gross Profit	14,350	12,350	16.19%	32,816	33,991	-3.46%
Profit Before Interest and Tax	7,037	4,938	42.51%	12,960	13,094	-1.02%
Profit before tax	6,546	4,329	51.21%	11,407	11,110	2.67%
Profit After tax	4,975	3,446	44.37%	7,942	8,092	-1.85%
Profit Attributable to Ordinary Equity Holders of the Parent	4,920	3,440	43.02%	7,771	7,892	-1.53%

The Group's revenue increased by 3.45% to RM84.06 million compared to RM81.25 million recorded in the corresponding quarter mainly due to higher sales volume generated in the current quarter under review.

Profit before tax increased by 51.21% from RM4.33 million to RM6.55 million mainly due to higher sales volume and lower costs of production.

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

	30-Sep 2020	30-Jun 2020	Changes (%)
	RM'000	RM'000	
Revenue	84,056	63,380	32.62%
Gross Profit	14,350	8,510	68.63%
Profit Before Interest and Tax	7,037	2,740	156.82%
Profit before tax	6,546	2,323	181.79%
Profit After tax	4,975	1,427	248.63%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	4,920	1,382	256.01%

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 32.62% to RM84.06 million compared to RM63.38 million recorded in the preceding quarter mainly due to higher sales volume generated in the current quarter under review resulted from pent-up sales after the lifting of the Movement Control Order (MCO). Economic activities were placed under strict Standard Operating Procedure ("SOP") which resulted in fewer deliveries to customers in the immediate preceding quarter.

In line with the increased in revenue, profit before tax increased from RM2.32 million to RM6.55 million.

27 COMMENTARY ON PROSPECTS

The current financial year 2020 continue to be very challenging due to market uncertainty following the Covid-19 global crisis. The impact and cost of the pandemic have yet to be determined.

The Group will continue to focus on its core business and will be taking cautious approaches to mitigate the exposure by improving its operational efficiency, product quality and product innovation as a positive step forward to sustain the Group's business growth. The Group will also monitoring the financial aspect very closely.

28 COMMENTARY ON PROGRESS TO ACHIEVE REVENUE OR PROFIT ESTIMATE, FORECAST, PROJECTION OR INTERNAL TARGETS

Not applicable

29 STATEMENT BY DIRECTORS ON ACHIEVABILITY OF REVENUE OR PROFIT ESTIMATE, FORECAST, PROJECTION OR INTERNAL TARGET

Not applicable

30 VARIANCE FROM PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable

31 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).

32 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 Industrial Court has dismissed the trade dispute pertaining the Collective Agreement on 1 June 2020, there are no further appeal and the matter had been concluded.

33 DIVIDEND PAYABLE

Refer to Note 21 for details.

34 DISCLOSURE OF NATURE OF OUTSTANDING DERIVATIVES

Type of Derivatives	Contract No.	Contract Value	Fair Value	Book Date	Expiry Date
NONE					

35 RATIONALE FOR ENTERING INTO DERIVATIVES

There were no outstanding foreign exchange contract for the period ended 30 September 2020.

36 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.

37 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.

38 TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 30 to 150 (2019: 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 2020 RM'000	30-Sep 2019 RM'000	30-Sep 2020 RM'000	30-Sep 2019 RM'000
Neither past due not impaired	62,863	59,820	4,091	3,876
1 to 30 days past due not impaired	6,212	5,472	-	-
31 to 60 days past due not impaired	1,944	2,015	-	-
More than 61 days past due not impaired	656	643	-	-
Total past due not impaired	8,812	8,130	-	-
Impaired	682	596	-	-
	72,357	68,546	4,091	3,876

* Note : The related parties are referring to Julie's Manufacturing Sdn Bhd and STH Wire Industry (M) Sdn Bhd and the renewal of existing shareholders' mandate for recurrent related party transaction had been obtained in last annual general meeting.

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of these trade receivables have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are active accounts which the management considers to be recoverable. These receivables are not secured by any collateral or credit enhancements.

Receivables that are impaired

Trade receivables that are determined to be individually impaired relate to those debtors that are in significant financial difficulties and/or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

39 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT

The auditors' report on the financial statements for the year ended 31 December 2019 was not qualified.

40 AUTHORITY FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 November 2020.