

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 JUNE 2022**

	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Revenue	7	83,921	75,330	171,706	160,727
Cost of sales		(75,319)	(66,438)	(153,037)	(139,829)
Gross profit		8,602	8,892	18,669	20,898
Other items of income					
- Interest income		250	257	407	475
- Other income		601	361	1,055	580
Other items of expense					
- Administrative and other expenses		(7,033)	(7,271)	(14,233)	(14,724)
- Reversal of Impairment loss / (Net impairment loss) on financial assets					
- Finance costs		(722)	(670)	(1,330)	(1,309)
Profit before tax	9	1,698	1,569	4,568	5,920
Income tax credit / (expense)	10	(777)	(860)	(1,792)	(2,565)
Profit net of tax		921	709	2,776	3,355
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive (expenses) / income for the period		921	709	2,776	3,355
Profit net of tax, attributable to:					
Owners of the parent		869	649	2,661	3,273
Non-controlling interests		52	60	115	82
		921	709	2,776	3,355
Earnings per share attributable to owners of the parent (sen per share):					
- Basic	11	1.17	0.88	3.59	4.41
- Diluted	11	1.17	0.88	3.59	4.41

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

[Registration No.: 200201006032 (573695 W)]

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2022**

	Note	30 June 2022 RM'000	31 Dec 2021 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	80,396	78,352
Right of use assets		30,416	26,392
Goodwill	13	1,633	1,633
		<u>112,445</u>	<u>106,377</u>
Current assets			
Inventories		62,732	67,779
Right of return assets		195	195
Trade receivables	37	71,422	78,430
Other receivables		972	560
Other current assets		10,057	7,563
Tax recoverable		1,616	1,522
Deposits with licensed banks	14	4,475	4,475
Cash and bank balances	14	56,390	54,095
Derivatives asset		-	3
		<u>207,859</u>	<u>214,622</u>
TOTAL ASSETS		<u>320,304</u>	<u>320,999</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	86,407	86,407
Treasury shares	16	(541)	(541)
Retained earnings		105,479	104,301
		<u>191,345</u>	<u>190,167</u>
Non-controlling interests		1,856	1,741
TOTAL EQUITY		<u>193,201</u>	<u>191,908</u>
Non-current liabilities			
Loans and borrowings	17	6,331	820
Deferred tax liabilities		10,727	10,448
Lease liabilities	18	4,613	5,019
		<u>21,671</u>	<u>16,287</u>
Current liabilities			
Loans and borrowings	17	72,889	66,712
Trade payables		18,657	28,959
Other payables		10,303	13,116
Refund liabilities		603	602
Lease liabilities	18	2,755	3,386
Income tax payable		225	29
		<u>105,432</u>	<u>112,804</u>
TOTAL LIABILITIES		<u>127,103</u>	<u>129,091</u>
TOTAL EQUITY AND LIABILITIES		<u>320,304</u>	<u>320,999</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>2.58</u>	<u>2.56</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 30 JUNE 2022**

	6 months ended	
	30-Jun-2022	30-Jun-2021
	RM'000	RM'000
Operating activities		
Profit before taxation	4,568	5,920
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	6,510	6,727
- Right of use assets	1,633	1,535
(Gain) on disposal of property, plant and equipment	(240)	(88)
Effect due to lease modification	1	(2)
Fair value changes of derivatives	4	13
Interest expense	847	730
Interest expense on lease liabilities	197	274
Interest income	(407)	(475)
Operating cash flows before changes in working capital	<u>13,113</u>	<u>14,634</u>
Working capital adjustments :		
Decrease / (Increase) in inventories and right of return assets	5,047	(10,704)
Decrease in trade and other receivables	6,596	11,386
Decrease / (Increase) in other current assets	452	(741)
(Decrease) in payables and refund liabilities	(13,114)	(10,664)
Cash generated from operation	<u>12,094</u>	<u>3,911</u>
Taxes paid	(1,411)	(2,213)
Net cash flows generated from / (for) operating activities	<u>10,683</u>	<u>1,698</u>
Investing activities		
Purchase of property, plant and equipment	(16,505)	(3,264)
Proceeds from disposal of property, plant and equipment	409	361
Interest received	407	475
(Increase) / Decrease in pledged fixed deposits with licensed banks	-	(24)
Net cash flows used in investing activities	<u>(15,689)</u>	<u>(2,452)</u>
Financing activities		
Drawdown of term loan	5,960	-
Repayment of term loan	(658)	(560)
Repayment of lease liabilities	(1,860)	(1,872)
Drawdown in short term borrowings	7,473	8,112
Interest paid	(847)	(730)
Interest expense on lease liabilities	(197)	(274)
Dividend paid on ordinary shares	(1,483)	(2,410)
Net cash flows generated from financing activities	<u>8,388</u>	<u>2,266</u>
Net increase in cash and cash equivalents	3,382	1,512
Cash and cash equivalents at 1 January	14 <u>53,008</u>	<u>58,193</u>
Cash and cash equivalents at 30 June	14 <u>56,390</u>	<u>59,705</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

[Registration No.: 200201006032 (573695 W)]

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2022**

	<----- Attributable to owners of the parent ----->					
	< ----- Share capital RM'000	Non 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 2022	86,407	(541)	104,301	190,167	1,741	191,908
Dividend	-	-	(1,483)	(1,483)	-	(1,483)
Total comprehensive income for the period	-	-	2,661	2,661	115	2,776
As at 30 June 2022	<u>86,407</u>	<u>(541)</u>	<u>105,479</u>	<u>191,345</u>	<u>1,856</u>	<u>193,201</u>
As at 1 Jan 2021	86,407	(541)	101,661	187,527	1,677	189,204
Dividend	-	-	(2,410)	(2,410)	-	(2,410)
Total comprehensive income for the period	-	-	3,273	3,273	82	3,355
As at 30 June 2021	<u>86,407</u>	<u>(541)</u>	<u>102,524</u>	<u>188,390</u>	<u>1,759</u>	<u>190,149</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 17 Aug 2022.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the year ended 31 December 2022, 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 2021 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 2021.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 During the current financial period, 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: Reference to the Conceptual Framework
Amendments to MFRS 116: Property, Plant & Equipment - Proceeds before Intended Use
Amendments to MFRS 137: Onerous Contracts - Cost of fulfilling a Contract
Annual Improvements to MFRS Standards 2018-2020

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

Amendments to MFRS 101 : Classification of Liabilities as Current or Non-current 01-Jan-23
Amendments to MFRS 101 : Disclosure of Accounting Policies 01-Jan-23
Amendments to MFRS 108 : Definition of Accounting Estimates 01-Jan-23
Amendments to MFRS 112 : Deferred tax related to Assets and liabilities arising from a single transaction 01-Jan-23

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-Jun 2022	30-Jun 2021	30-Jun 2022	30-Jun 2021	30-Jun 2022	30-Jun 2021	30-Jun 2022	30-Jun 2021	30-Jun 2022	30-Jun 2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	185,982	175,400	1,540	3,458	10,451	8,314	(26,267)	(26,445)	171,706	160,727
Profit/(loss)	3,081	4,814	(32)	1,877	(74)	(1,178)	(314)	(2,240)	2,661	3,273
Assets	313,834	305,155	104,163	107,521	16,264	20,203	(113,957)	(115,765)	320,304	317,114
Liabilities	130,621	127,381	1,690	1,551	8,648	10,109	(13,856)	(12,076)	127,103	126,965

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 :

This segment achieved a revenue of RM185.98 million for the current quarter, up 6.03% from RM175.40 million recorded in the previous corresponding quarter mainly due to higher average selling price.

This segment reported a lower profit after tax of RM3.08 million compared to RM4.81 million registered in the previous corresponding quarter due to lower profit margin attributable to higher raw material paper cost and operating costs, amidst the current uncertain global growth outlook and intensified inflationary pressure.

Paper stationery products segment :

The revenue increased by 25.7% from RM8.31 million to RM10.45 million due to increased in sales volume.

This segment recorded a loss after tax of RM0.074 million compared to a loss after tax of RM1.178 million recorded in previous year due to increased in sales volume.

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	6 Months Ended 30 June	
	2022	2021
	RM'000	RM'000
Paper industry	48,218	40,547
Furniture, rubber, hardware & steel	47,120	44,001
Food based & beverage	36,877	32,727
Electronic & electrical	19,359	23,634
Others	20,132	19,818
	<u>171,706</u>	<u>160,727</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 June		6 Months Ended 30 June	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Interest income	(250)	(257)	(407)	(475)
Interest expense	478	321	847	730
Interest expense on lease liabilities	98	191	197	274
Depreciation of property, plant & equipment	3,304	3,336	6,510	6,727
Depreciation on right of use assets	826	802	1,633	1,535
(Gain) on disposal of property, plant and equipment	(240)	(72)	(240)	(88)
(Gain) / loss on foreign exchange - realised	9	(60)	(7)	(53)
Loss / (Gain) on foreign exchange - unrealised	-	-	-	-
Fair value changes of derivatives	1	22	4	13

10 INCOME TAX EXPENSE

	Current quarter		Cumulative quarter	
	3 Months Ended 30 June		6 Months Ended 30 June	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Current tax	(567)	(960)	(1,512)	(2,455)
Deferred tax	(210)	100	(280)	(110)
	(777)	(860)	(1,792)	(2,565)

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 June		6 Months Ended 30 June	
	2022	2021	2022	2021
	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)	869	649	2,661	3,273
Basic earning per share (Sen)	1.17	0.88	3.59	4.41
Diluted earnings per share (Sen)	1.17	0.88	3.59	4.41

12 PROPERTY, PLANT AND EQUIPMENT

For the year ended 30 June 2022, assets with a carrying amount of RM 169,356 (2021:RM 273,778) were disposed off by the Group resulting in a net gain on disposal of RM239,701 (2021:gain of RM87,573), 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 2021.

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

14 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

	30-Jun	31-Dec
	2022	2021
	RM'000	RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	56,390	54,095
Short term deposits with licensed banks	4,475	4,475
Cash and bank balances	60,865	58,570
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	56,390	54,095
Short term deposits with licensed banks	4,475	4,475
Bank overdrafts	-	(1,087)
Total cash and cash equivalents	60,865	57,483
Less : Deposits pledged to licensed banks	(4,475)	(4,475)
Less: Deposit with tenure more than 3 months	-	-
	56,390	53,008

15 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 June 2022, the Group do not hold any financial assets or liabilities that are measured at fair value.

16 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

There were no issuance or re-purchase of ordinary shares during the financial period ended 30 June 2022.

17 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-Jun	Weighted	31-Dec	Weighted Average
		2022	Average	2021	Interest Rate
		RM'000	Interest Rate	RM'000	
Short term borrowing (secured)					
Bank overdrafts (floating)	100%	-	6.10%	1,087	6.35%
Charge card		189		139	
Trade bills (floating)	100%	71,793	1.89%	64,370	1.99%
Term loans (floating)	100%	907	3.15%	1,116	4.78%
		<u>72,889</u>		<u>66,712</u>	
Long term borrowing (secured)					
Term loans (floating)	100%	6,331		820	
		<u>6,331</u>		<u>820</u>	
Total borrowing		<u>79,220</u>		<u>67,532</u>	

None of the above borrowings are dominated in foreign currencies.

18 LEASE LIABILITIES

	30-Jun	31-Dec
	2022	2021
	RM'000	RM'000
As at 1 January	8,405	10,344
- Initial application of MFRS 16	-	-
Additional during the year	830	1,609
Reassessment / Modification of lease liabilities	(4)	855
Interest expense recognised in profit or loss	197	521
Derecognition due to lease termination	(3)	(569)
Repayment of principal	(1,860)	(3,834)
Repayment of interest expenses	(197)	(521)
	<u>7,368</u>	<u>8,405</u>

19 PROVISIONS FOR COST OF RESTRUCTURING

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

20 DIVIDENDS

The final single tier dividend of 2 sen per ordinary share for financial year ended 31 December 2021 amounted RM1,483,043.12 had been paid on 20 May 2022. There were no dividends declared for the quarter under review.

21 CAPITAL COMMITMENTS

	30-Jun	30-Jun
	2022	2021
	RM'000	RM'000
Approved and contracted for:		
Purchase of property, plant & equipment	<u>10,302</u>	<u>5,027</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 in the current financial period ended 30 June 2022 and 30 June 2021 as well as the balances with the related parties as at 30 June 2022 and 31 December 2021:

	Transactions with related parties 6 months ended		Amounts owed by related parties As At		Amounts due to related parties As At	
	30-Jun 2022	30-Jun 2021	30-Jun 2022	31-Dec 2021	30-Jun 2022	31-Dec 2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of carton boxes & stationery products #						
Julie's Manufacturing Sdn. Bhd. *	4,744	4,075	3,251	4,581	-	-
STH Wire Industry (M) Sdn. Bhd. @	34	24	7	10	-	-
Sales of waste paper #						
Johmewah Maju Paper Mill Sdn Bhd +	16	178	16	57		
Purchase of raw material #						
STH Wire Industry (M) Sdn. Bhd. @	224	232	-	-	73	96
Purchase of paper roll						
Johmewah Maju Paper Mill Sdn Bhd + #	1,124	4,504	-	-	104	60
PS3G Sdn Bhd +	142	-	-	-	142	-
Maintenance jobs #						
Uptrend Performer Sdn Bhd \$	435	438	-	-	-	238
Rental #						
Fairway Review Sdn Bhd *	318	318	-	-	-	-

- * Companies in which certain directors have substantial financial interests
 @ Companies in which a director have substantial financial interests
 + Company in which close family member of certain directors have significant influence
 \$ Company in which close family member of certain directors have significant interests
 # 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 6 Months ended		
	30-Jun 2022	30-Jun 2021	Changes	30-Jun 2022	30-Jun 2021	Changes (%)
	RM'000	RM'000	(%)	RM'000	RM'000	(%)
Revenue	83,921	75,330	11.40%	171,706	160,727	6.83%
Gross Profit	8,602	8,892	-3.26%	18,669	20,898	-10.67%
Profit Before Interest and Tax	2,024	1,824	10.96%	5,205	6,449	-19.29%
Profit before tax	1,698	1,569	8.22%	4,568	5,920	-22.84%
Profit After tax	921	709	29.90%	2,776	3,355	-17.26%
Profit Attributable to Ordinary Equity Holders of the Parent	869	649	33.90%	2,661	3,273	-18.70%

The Group's revenue increased by 11.4% to RM83.92 million compared to RM75.33 million recorded in the corresponding quarter mainly due to higher average selling price and sales volume.

In-line with the increase in revenue, profit before tax increased by 8.22% from RM1.57 million to RM1.70 million.

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

	30-Jun 2022	31-Mar 2022	Changes
	RM'000	RM'000	(%)
	Revenue	83,921	87,785
Gross Profit	8,602	10,067	-14.55%
Profit Before Interest and Tax	2,024	3,182	-36.39%
Profit before tax	1,698	2,870	-40.84%
Profit After tax	921	1,855	-50.35%
Profit Attributable to Ordinary Equity Holders of the Parent	869	1,792	-51.51%

The Group's revenue decreased by 4.41% to RM83.92 million compared to RM87.79 million recorded in the immediate preceding quarter mainly due to lower average selling price and sales volume.

The decreased in revenue has caused the Group registered a lower profit before tax of RM1.70 million compared to a profit before tax of RM2.87 million reported in the immediate preceding quarter.

26 COMMENTARY ON PROSPECTS

The Group continue to operates in a very competitive industry for the remaining quarters for financial year 2022. There is still uncertainty surrounding the outlook for local and global economy due to **on going military conflict in Ukraine and strict containment measures in China** which led to logistics bottlenecks, raw materials shortages and rising operational costs.

Amidst the current uncertainty and rising operational costs which will put pressure on the profit margin, the Group will continue to exercise caution in managing the Group's business and 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 market position.

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.

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
UOB Bank Berhad					
Fixed forward contract - less than 1 year	21473862	50	220	23.11.21	26.10.22
Fixed forward contract - less than 1 year	21518773	50	220	25.11.21	26.10.22

34 RATIONALE FOR ENTERING INTO DERIVATIVES

The Group had entered two fixed forward contracts with UOB Bank Berhad where the details were stated in Note 33. The purpose is to hedge against unfavorable movement in foreign exchange rate in respect of sales of stationery products to oversea market.

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

	UOB Bank Berhad	
Contract no.:	21473862	21518773
Rate contracted:	4.3940	4.3940
Balances as at 30 June 2022 (In USD):	50,000	50,000
Rate as at 30 June 2022	4.4000	4.4000
Loss on fair value changes of derivatives (In RM)	300	300

37 TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 30 to 150 (2021: 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-Jun 2022 RM'000	30-Jun 2021 RM'000	30-Jun 2022 RM'000	30-Jun 2021 RM'000
Neither past due not impaired	61,556	56,385	3,274	3,045
1 to 30 days past due not impaired	7,015	8,166	-	-
31 to 60 days past due not impaired	2,425	2,804	-	-
More than 61 days past due not impaired	1,243	1,504	-	-
Total past due not impaired	10,683	12,474	-	-
Impaired	(817)	(1,149)	-	-
	71,422	67,710	3,274	3,045

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 2021 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 17 Aug 2022.