NOTES TO THE INTERIM FINANCIAL REPORT

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). These interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 30 April 2019. These explanatory notes attached to the interim financial statements 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 financial year ended 30 April 2019.

2. Significant accounting policies

The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 30 April 2019 except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 May 2019:

- MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- MFRS 16 Leases
- MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)
- Annual Improvements to MFRS Standards 2015–2017 Cycle
- MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)
- IC Interpretation 23 Uncertainty over Income Tax Treatments

The adoption of the above standards and interpretations did not have any material effect on the financial performance or position of the Group, except as disclosed below:

<u>MFRS 16 Leases</u>

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

NOTES TO THE INTERIM FINANCIAL REPORT

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by the transitional provision of MFRS 16, the Group has elected the modified restrospective approach with no restatement of comparative and the cumulative adjustments resulting from initial application of MFRS 16 to be recognised in retained profits as at 1 May 2019.

As a result of initial applying MFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RM3.4 million of right- of- use assets and lease liabilities as at 31 January 2020.

The standards and interpretations that are issued but not yet effective up to the date of issuance of these condensed consolidated interim financial statements are disclosed below. The Group intend to adopt these standards, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 2 Share-Based Payment	1 January 2020
Amendment to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendment to MFRS 14 Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendment to MFRS 138 Intangible Assets	1 January 2020
Amendment to IC Interpretation 12 Service Concession Arrangements	1 January 2020
Amendment to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendment to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132 Intangible Assets—Web Site Costs	1 January 2020
Amendments to MFRS 3 Business Combinations- Definition of a Business	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material	1 January 2020
Interest Rate Benchmark Reform (Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures)	1 January 2020

Description	Effective for annual periods beginning on or after
MFRS 17 Insurance Contracts	1 January 2021
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 and interpretations will have no material impact on the financial statements in the period of initial application.

3. Significant Accounting Estimates And Judgements

(a) Critical Judgements Made in Applying Accounting Policies

There are no critical judgements made by management in the process of applying the Group's accounting policies that have significant effect on the amounts recognised in the financial statements.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the operating date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and unused reinvestment allowance to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and reinvestment allowance can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of unrecognised tax losses and capital allowances of the Group was RM95.3 million (30.4.2019: RM121.3 million).

(ii) Depreciation of plant and equipment

The cost of paper making machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within ten years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its value in use and its fair value less cost of disposal.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(iv) Customer rebates

The Group had recognised provision for sales rebate according to the contractual arrangements entered into with its customers. Estimating the provision for sales rebate requires the Group to make an estimate based on historical experiences, contractual arrangement and on the claims expected to be made by customers. The Group assessed the provisions at each reporting date and adjusted to reflect the current best estimate. Where it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision for sales rebate is reversed.

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 30 April 2019 was not subject to any audit qualification.

5. Seasonal or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors during the financial period under review.

6. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial year.

7. Changes in estimates

There were no material changes in estimates of amount reported in prior interim period or financial period that have a material effect in the current year.

There was no issuance or repayment of debt and equity securities, share buy-backs and share cancellations for the current financial period.

8. Dividend paid

The single tier final dividend of 0.80 sen per ordinary share in respect of the financial year ended 30 April 2019 amounting to RM8,984,320 was paid on 23 October 2019.

The total net dividend per share to date for the current financial year is 0.80 sen (2019: 1.60 sen).

NOTES TO THE INTERIM FINANCIAL REPORT

9. Segment information

Segment information is presented in respect of the Group's two core products based operating segments.

Segment information for the period ended 31 January 2020 are as follows:

	Paper products RM'000	Personal Care Products RM'000	Consolidated RM'000
Revenue			
Revenue from external customers	418,045	158,754	576,799
Segment profit	4,390	8,017	12,407
Included in the measure of segment profit are			
- depreciation and amortisation	23,364	6,630	29,994
- non-cash expenses other than depreciation and amortisation	(1,941)	204	(1,737)
Segment assets	869,229	143,473	1,012,702
Included in the measure of segment assets is			
- capital expenditure	41,948	3,930	45,878

Segment information for the period ended 31 January 2019 are as follows:

	Paper products RM'000	Personal Care Products RM'000	Consolidated RM'000
Revenue			
Revenue from external customers	396,615	149,261	545,876
Segment profit	9,319	15,655	24,974
Included in the measure of segment profit are			
- depreciation and amortisation	17,949	6,941	24,890
- non-cash expenses other than depreciation and amortisation	(1,866)	152	(1,714)
Segment assets	778,393	155,145	933,538
Included in the measure of segment assets is			
- capital expenditure	107,403	1,439	108,842

NOTES TO THE INTERIM FINANCIAL REPORT

10. Valuation of property, plant and equipment

The carrying value of land and building is based on the latest valuation performed on 30 April 2019 by independent qualified valuers.

During the period, the acquisition and disposal of property, plant and equipment amounted to RM45.9 million and RM0.6 million respectively.

11. Significant and subsequent events to the balance sheet date

There were no significant material and subsequent events at the end of the financial period ended 31 January 2020 that have not been reflected in the interim financial statements as at the date of this report.

12. Changes in the composition of the Group

On 7 November 2019, Nibong Tebal Paper Mill Sdn. Bhd. (“NTPM”), a wholly owned subsidiary of the Group, acquired the entire paid-up share capital (3,000,000) of NTPM Paper Mill (bentong) Sdn, Bhd. (“NTPM Bentong”) from NTPM (Singapore) Pte. Ltd. After the acquisition, NTPM Bentong is now 100% owned by NTPM.

Other than the above, there were no other material changes in the composition of the Group during the current financial quarter.

13. Changes in corporate guarantees, contingent liabilities or contingent assets

The corporate guarantees of the Company are as follows:

		As at 31.01.2020 RM’000	**As at 30.04.2019 RM’000**
(a)	Corporate guarantees given to banks as securities for credit facilities granted to certain subsidiaries	442,603	339,919

NOTES TO THE INTERIM FINANCIAL REPORT

PART B: EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A

14. Review of performance

	Individual quarter ended		**Cumulative period ended**	
	31.01.2020	**31.01.2019**	**31.01.2020**	**31.01.2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue				
Paper Products	144,657	143,662	418,045	396,615
Personal Care Products	53,017	51,868	158,754	149,261
Group	197,674	195,530	576,799	545,876
Profit before tax				
Paper Products	4,222	3,538	4,390	9,319
Personal Care Products	3,163	4,265	8,017	15,655
Group	7,385	7,803	12,407	24,974

Group

Group revenue for the period ended 31 January 2020 was RM576.8 million compared with RM545.9 million for the period ended 31 January 2019, an increase of 5.7%. The increase was due to the increase in sales of both products, Tissue and Personal Care product, especially local sales. The Group's profit before taxation for the period ended 31 January 2020 was RM12.4 million, a decrease of 50.3% over RM25 million registered in the previous financial period ended 31 January 2019. The decrease in profit before taxation was mainly due to the higher cost of goods sold recorded in the current period under review as compare to previous period.

The performance for the current period of tissue products was affected mainly by the higher cost of raw materials consumed (virgin pulp and waste paper) which purchased earlier at a higher rate. This is because the older units are consumed and sold first and the newer units the most recent purchases with the lower rate are still on hand especially in previous quarter.

Higher depreciation and finance cost have further reduced the profitability of the Group.

Paper Products segment

Revenue from the paper products segment for the period ended 31 January 2020 was RM418.0 million compared with RM396.6 million for the financial period ended 31 January 2019, an increase of 5.4%. Profit before taxation in the paper products segment for the period ended 31 January 2020 was RM4.4 million, a decrease of 52.9% over RM9.3 million registered in the previous financial period. The decrease in profit before taxation was mainly due to the higher cost of goods sold recorded in the current period under review as compare to previous period.

Personal Care Products segment

Revenue from the personal care products segment for the period ended 31 January 2020 was RM158.8 million compared with RM149.3 million recorded in the previous year corresponding period, an increase of 6.4%. Profit before taxation in the personal care products segment for the period ended 31 January 2020 was RM8.0 million, a decrease of 48.8% over RM15.7 million registered in the corresponding period of the previous financial year. The decrease in profit before taxation was mainly due to the higher raw material cost consumed recorded in the current period. The re-introduction of the Sales and Service Tax has increased the price of material. This was mainly due to no input tax claimable under SST and no exemption applicable to non- taxable products, e.g Baby diapers, Sanitary napkin and UnderPad products.

15. Comparison with immediate preceding quarter's results

	Individual quarter ended		Variance	
	31.01.2020	31.10.2019		
	RM'000	RM'000	RM'000	%
Revenue	197,674	194,231	3,443	1.8
Profit before tax	7,385	1,931	5,454	282.4

Revenue for the quarter ended 31 January 2020 increased by RM3.4 million or 1.8%. The increase was mainly due to the increase in sales especially Paper Products segment. While, profit before taxation increased by RM5.5 million or 282.4% for the current financial quarter as compared to the preceding quarter. The increase in the Group's consolidated profit before taxation as compared to the preceding quarter was mainly due the lower raw material cost consumed recorded in the current financial quarter.

16. Prospects

The global tissue market paper is expected to grow at a compounded annual growth rate of close to 3.6% during the period of 2019 to 2027. Factors of growing population and increasing awareness about hygiene in the developing countries following the onslaught of the Covid-19 Pandemic will have positive impact on the global tissue paper market. Our key focus in FY2020 is to increase production of tissue paper in order to fulfil the increasing demand in South East Asia and other export markets.

The ongoing Covid-19 pandemic presents a significant challenge to and at the same time, an opportunity to the Group. The recently announced Movements Control Order for the period 18th to 31st March 2020 will have an adverse impact on the operation of the Group in Malaysia as the affected companies in the Group will only be allowed to continue to operate with 50% of its workforce. The positive news is the surge in demand for Tissue products and Wet Tissue products both in the domestic and export markets since the onslaught of the Covid-19 pandemic. However, the Group expects that, despite the reduction in the production of the affected companies in the Group during this very challenging period, the Group will still be able to cater to this surge in demand given its existing stock and continuing operation in Vietnam. The Group also expects the new users who have started to use our products to continue doing so even after the Covid-19 pandemic has come to an end and as such, that there will be a sustained demand for the Group's products.

The Group is therefore cautiously optimistic in its prospect.

17. Variance of actual profit from profit forecast

Not applicable.

18. Taxation

	Current Quarter 3 months ended 31 January 2020 RM'000	Year-to-date 9 months ended 31 January 2020 RM'000
Income tax		
Current year	3,822	9,689
Prior year	(119)	(119)
	3,703	9,570
Deferred tax		
Current year	1,044	1,051
Prior year	(434)	(434)
	4,313	10,187

The Group's effective tax rate for the current quarter/period to date is higher than the statutory tax rate principally due to the deferred tax assets not recognised on unutilized tax loss and capital allowance for some of the subsidiaries of the companies.

19. Status on corporate proposals

There were no significant corporate proposals for the current financial period to date.

NOTES TO THE INTERIM FINANCIAL REPORT

20. Group borrowings

	31 January 2020 RM'000
Non-current	
Unsecured	
Long term loans	63,741
	63,741
Current	
Unsecured	
Bankers' acceptance	78,737
Onshore Foreign Currency Loan (OFCL)	76,687
Revolving Credit (RC)	150,473
Term loans	71,951
Trust Receipt	991
Secured	
Hire purchase and finance Lease	23
	378,862

The borrowings are denominated in the following currencies:

	31 January 2020 RM'000			
	Ringgit Malaysia	**Singapore Dollar**	**US Dollar**	**Total**
Bankers' acceptance	78,737	-	-	78,737
Hire Purchase	-	23	-	23
Onshore Foreign Currency Loan (OFCL)	-	-	76,687	76,687
Revolving Credit ("RC")	56,500	-	93,973	150,473
Term Loans	77,773	-	57,919	135,692
Trust Receipt	-	-	991	991
	213,010	23	229,570	442,603

NOTES TO THE INTERIM FINANCIAL REPORT

21. Derivatives financial instruments

Forward foreign exchange contracts are entered into by the Group in currencies other than their functional currency to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

As at 31 January 2020, the Group's open forward contracts entered into as hedges of anticipated future transactions are as follows:

Type of Derivatives	**Contract Amount RM'000**	**Fair Value RM'000**
Non-Hedging Derivatives		
Bank Buy		
SG Dollar		
Less than 1 year	6,812	6,691

Derivatives financial instruments that are not designated or do not qualify for hedge accounting are categorised as fair value through profit or loss and measured at their fair value with the gain or loss recognized in the profit or loss. During the current financial quarter and the financial period ended 31 January 2020, the Group recognised a gain on derivative of RM262,000 and RM132,000, respectively arising from fair value changes of financial derivative. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

The Group will fund the requirements of these derivatives from its net cash flow from operating activities when payments fall due.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk, credit risk, liquidity risk and foreign currency risk.

There is no change in the significant policy for mitigating or controlling the interest rate risk, credit risk, liquidity risk and foreign currency risk for the Group nor the related accounting policies for the financial period ended 31 January 2020. Other related information associated with the financial instruments are consistent with the disclosures in the audited financial statements for the financial year ended 30 April 2019.

22. Material litigation

There was no pending material litigation as at the date of this quarterly report.

NOTES TO THE INTERIM FINANCIAL REPORT

23. Dividend

The single tier final dividend of 0.80 sen per ordinary share in respect of the financial year ended 30 April 2019 amounting to RM8,984,320 was paid on 23 October 2019.

A single tier interim dividend of of 0.80 sen per ordinary share in respect of the financial year ending 30 April 2020 has been declared on 20 March 2020 and is to be paid on 20 April 2020 to depositors registered in the records of Depositors at the close of business on 6 April 2020. The interim report does not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the quarter ending 30 April 2020.

The total net dividend per share to date for the current financial year is 0.80 sen (2019: 1.60 sen)

24. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the quarter/period by the weighted average number of ordinary shares during the financial quarter/period.

	3 Months Period Ended 31 January		**9 Months Period Ended 31 January**	
	2020	**2019**	**2020**	**2019**
Net profit attributable to shareholders (RM'000)	3,072	3,622	2,220	13,815
Weighted average number of ordinary shares in issue ('000)	1,123,040	1,123,082	1,123,040	1,123,091
Basic earnings per share (sen)	0.3	0.3	0.2	1.2

By Order of the Board

Company Secretary

DATED THIS 20th March, 2020