

Notes on the quarterly report – 30 September 2014

PART A: EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (FRS) 134 (Interim Financial Reporting) issued by the Malaysian Accounting Standards Board (“MASB”) and Chapter 9, Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2013. The 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.

Changes in Accounting Policies

The accounting policies, methods of computation and basis of consolidation adopted by the Group in the interim financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2013.

The Group has not early adopted the following new MFRSs, amendments to MFRSs and IC Interpretations, which have been issued by the Malaysian Accounting Standards Board (“MASB”) as at the date of authorisation of these interim financial statements but are not yet effective for the Group as stated below:

		<u>Effective date for financial periods beginning on or after</u>
MFRS 11	Joint Arrangements	1 January 2013
MFRS 128 (2011)	Investment in Associates and Joint Ventures	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10	Investment Entity	1 January 2014
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9 (IFRS 9(2010))	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015

The initial applications of the above applicable new MFRSs, amendments to MFRSs and IC Interpretations are not expected to have any material impact on the financial position and results of the Group.

A2. Qualification of Annual Financial Statements

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2013.

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A3. Seasonal and cyclical factors

The Group's business operation results were not materially affected by any major seasonal or cyclical factors in the quarter under review.

A4. Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

There were no unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

A5. Material changes in estimates

There was no material changes in estimates of amounts reported in the current quarter under review.

A6. Issuances and repayment of debt and equity securities

There have been no other issuance, cancellations, repurchase, resale and repayment of debt and equity securities for the current quarter under review, except for the following:-

The details of shares held as treasury shares for the period ended 30 September 2014 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 30 June 2014	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 September 2014	1,418,900	649,578

There were no additional repurchase of shares since 1 July 2014.

A7. Dividend Paid

A first and final single tier tax exempt dividend of 5% or 2.5 sen per share amounting to a total dividend of RM3,964,527.59 in respect of the financial year ended 31 December 2013 was approved by the Shareholders at the Annual General Meeting held on 25 June 2014 had been paid on 13 August 2014.

A8. Segment information

Details segmental analysis for the period ended 30 September 2014 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

	Continuing Operations RM'000	Discontinued Operations RM'000	Consolidated RM'000
Malaysia	145,000	-	145,000
Asia (other than Malaysia)	32,842	1,839	34,681
South America	83	-	83
	<u>177,925</u>	<u>1,839</u>	<u>179,764</u>

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(b) **Business segment**

	Processed papers products RM'000	Disposable fibre-based products RM'000	Investment holding and others RM'000	Adjustments and elimination RM'000	Total Continuing Operations RM'000	Discontinued Operations RM'000	Consolidated RM'000
Revenue							
External customer	115,935	61,990	-	-	177,925	1,839	179,764
Inter-segment	47,645	21,676	-	(69,321)	-	-	-
Total revenue	163,580	83,666	-	(69,321)	177,925	1,839	179,764
Results							
Segment results	10,618	5,708	(4,568)	4,212	15,970	(4,240)	11,730
Interest income	1,352	906	107	(586)	1,779	57	1,836
Finance costs	(2,612)	(981)	-	586	(3,007)	-	(3,007)
Profit (loss) before taxation	9,358	5,633	(4,461)	4,212	14,742	(4,183)	10,559
Taxation	(3,066)	(1,409)	3	-	(4,472)	-	(4,472)
Net profit (loss) for the financial period	6,292	4,224	(4,458)	4,212	10,270	(4,183)	6,087
Assets							
Additions to non-current assets	480	1,358	-	-	1,838	-	1,838
Segment assets	149,326	132,089	83,908	(123,012)	242,311	13,849	256,160

A9. Valuation of property, plant and equipment

The property, plant and equipment except for freehold land are stated at cost less accumulated depreciation. No depreciation is provided on freehold land. There was no revaluation of property, plant and equipment for the current quarter and financial year to date.

A10. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

A12. Changes in contingent liabilities

As at the date of announcement, there were no material contingent liabilities incurred by the Group which, upon becoming enforceable, may have material impact on the financial position of the Group.

A13. Capital commitments

There were no significant capital commitments as at 30 September 2014.

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PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of performance

Continuing operations

The Group recorded revenue at RM64.1 million for the current quarter, an increased of RM6.5 million as compared to RM57.6 million in the preceding year corresponding quarter, mainly due to improved trading activities in the processed paper products segment.

The Group recorded a higher profit before tax of approximately RM8.0 million for the current quarter, an increased of RM4.5 million as compared to RM3.5 million in the preceding year corresponding quarter, mainly due to the recognition of gain on disposal of investment property in processed paper products segment.

Discontinued operations

The Group recorded a higher loss from the discontinued operations of RM2.9 million for the current quarter, an increased of RM1.3 million as compared to RM1.6 million in the preceding year corresponding quarter, mainly due to loss on disposal of plant and equipment.

B2. Variation of results against immediate preceding quarter

Continuing operations

The Group's profit before tax increased to approximately RM8.0 million for the current quarter as compared to RM2.6 million in the immediate preceding quarter for the period ended 30 June 2014, mainly due to the recognition of gain on disposal of investment property in processed paper products segment.

Discontinued operations

The Group recorded a higher loss from the discontinued operations of RM2.9 million for the current quarter, an increased of RM2.3 million as compared to RM0.6 million in the immediate preceding quarter for the period ended 30 June 2014, mainly due to loss on disposal of plant and equipment.

B3. Prospects

Barring any unforeseen circumstances, the Group's products are expected to remain competitive in the operating environment. Moving forward, the Board expects the Group to achieve a satisfactory performance for the remaining quarter of the year.

B4. Variance of actual and forecast profit

Not applicable as there was no profit forecast has been published.

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B5. Tax expense

	Current quarter ended 30.09.2014 RM'000	Current year to date 30.09.2014 RM'000
Estimated tax payable:		
Current	2,805	4,472

The effective tax rate for the current quarter and financial year to date under review is higher than the statutory income tax rate mainly due to certain expenses which are not allowable for tax purpose and operating profits of certain subsidiary companies, which for tax purposes, cannot be offset against operating losses of other company in the Group as no Group relief is available for tax purposes.

B6. Status of corporate proposal

There was no corporate proposal announced as at the date of this announcement.

B7. Group borrowings

The Group's borrowings as at the end of the reporting year are as follows:

Group Borrowings	Short Term (Secured) RM'000	Long Term (Secured) RM'000	Total RM'000
Trust receipts and bankers' acceptance	56,096	-	56,096
Term loans	1,877	18,124	20,001
Hire purchase	902	829	1,731
Total	58,875	18,953	77,828

B8. Off balance sheet financial instrument

There are no financial instruments with off balance sheet risk as at the date of this report.

B9. Material litigation

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

B10. Dividends

There was no dividend declared by the Company during the current quarter under review.

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B11. Basic earnings per share

The basic earnings per share for the current quarter and cumulative year to date are computed as follows:-

	Individual Quarter		Cumulative Quarter	
	3 months Ended 30.09.2014 RM'000	3 months Ended 30.09.2013 RM'000	9 months Ended 30.09.2014 RM'000	9 months Ended 30.09.2013 RM'000
a) Profit attributable to equity holders of the parent (RM'000)				
- Continuing operations	5,253	2,652	10,270	10,626
- discontinued operations	(2,909)	(1,609)	(4,183)	(3,472)
	<u>2,344</u>	<u>1,043</u>	<u>6,087</u>	<u>7,154</u>
b) Weighted average number of ordinary shares ('000):	<u>158,581</u>	<u>158,581</u>	<u>158,581</u>	<u>158,581</u>
c) Earnings per ordinary share (sen):				
i) Basic				
- Continuing operations	3.31	1.67	6.48	6.70
- discontinued operations	(1.83)	(1.01)	(2.64)	(2.19)
Total	<u>1.48</u>	<u>0.66</u>	<u>3.84</u>	<u>4.51</u>
ii) Diluted	<u>Note</u>	<u>Note</u>	<u>Note</u>	<u>Note</u>

Note:

The diluted earnings per share are not presented as there were no potential ordinary shares to be issued as at the end of the reporting period.

B12. Disclosure of Realised and Unrealised Profits (Unaudited)

	Quarter Ended	
	30.09.2014 RM'000	30.09.2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	105,152	106,519
- Unrealised	3,242	4,238
	<u>108,394</u>	<u>110,757</u>
Less: Consolidation adjustments	(35,390)	(41,963)
Total group retained profits as per consolidated accounts	<u>73,004</u>	<u>68,794</u>

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B13. Notes to the Statement of Comprehensive Income

	Quarter Ended	
	30.09.2014	30.09.2013
	RM'000	RM'000
Interest income	1,836	1,350
Interest expense	3,007	2,957
Bad debt written off	6	-
Depreciation and amortization	3,855	4,319
Impairment on inventories	6	-
Impairment on trade receivables	653	45
Reversal of impairment on slow moving inventories	-	(47)
Reversal of impairment on trade receivables	(186)	(9)
Property, plant and equipment written off	1	104
Gain on disposal of investment property	6,583	988
(Loss) or Gain on disposal of property, plant and equipment	(1,951)	126
Gain on foreign exchange - Realised	898	561

Other than the above, there were no gain or loss on disposal of quoted or unquoted investments, gain or loss on derivatives and exceptional items for the current quarter ended 30 September 2014.