

Notes on the quarterly report – 30 June 2017

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 2016. 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 2016.

The Group has not early adopted the following new MFRSs, new interpretation and amendments to MFRSs, 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:

		Effective date for financial periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share Based Payment Transactions	1 January 2018
Amendments to MFRS 15	Classification to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contract</i>	1 January 2018 *
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Lease	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

Note:

* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

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

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A2. Qualification of annual financial statements

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2016.

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 June 2017 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 March 2017	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 June 2017	1,418,900	649,578

There were no additional repurchase of shares since 1 April 2017.

A7. Dividend paid

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

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A8. Segment information

Details segmental analysis for the period ended 30 June 2017 are as follows:

(a) **Geographical segments**

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	114,781
Asia (other than Malaysia)	14,720
Total	<u>129,501</u>

(b) **Business segment**

	Processed paper products RM'000	Disposable fibre-based products RM'000	Investment holding and others RM'000	Adjustments and elimination RM'000	Consolidated RM'000
Revenue					
External customer	85,135	44,366	-	-	129,501
Inter-segment	37,857	17,961	-	(55,818)	-
Total revenue	<u>122,992</u>	<u>62,327</u>	-	<u>(55,818)</u>	<u>129,501</u>
Results					
Segment results	4,372	4,672	(621)	-	8,423
Interest income	908	611	202	-	1,721
Finance costs	(1,153)	(183)	-	-	(1,336)
Profit before taxation	<u>4,127</u>	<u>5,100</u>	<u>(419)</u>	-	<u>8,808</u>
Taxation	(1,034)	(1,253)	-	-	(2,287)
Net profit for the financial period	<u>3,093</u>	<u>3,847</u>	<u>(419)</u>	-	<u>6,521</u>
Assets					
Additions to non- current assets	1,399	2,129	-	-	3,528
Segment assets	<u>152,368</u>	<u>125,782</u>	<u>91,305</u>	<u>(93,762)</u>	<u>275,693</u>
Liabilities					
Segment liabilities	<u>80,815</u>	<u>40,789</u>	<u>702</u>	<u>(33,654)</u>	<u>88,652</u>

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.

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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 June 2017.

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

B1. Review of performance

The Group recorded revenue of RM62.3 million for the current quarter, a decrease of RM15.7 million as compared to approximately RM78.0 million in the preceding year corresponding quarter, mainly due to a weak demand as a result of material price increased in the processed paper products segment.

The Group recorded a lower profit before tax of RM4.1 million for the current quarter, a decrease of RM5.4 million as compared to RM9.5 million in the preceding year corresponding quarter, mainly due to gain on disposal of other investment in the disposable fibre-based products segment amounting to RM5.9 million in previous year's corresponding quarter.

B2. Variation of results against immediate preceding quarter

The Group's profit before tax decreased to RM4.1 million for the current quarter as compared to RM4.7 million in the immediate preceding quarter for the period ended 31 March 2017, mainly due to weak demand of sales in the processed paper products segment experienced in the current quarter.

B3. Prospects

Despite the current volatility in the global market, 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 quarters 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 30.06.2017 RM'000	Current year to date 30.06.2017 RM'000
Estimated tax payable:		
Current	1,130	2,223
(Over)/Under provision in prior year	(601)	64
Total	529	2,287

The effective tax rate for the current quarter under review is lower than the statutory income tax rate mainly due to over provision of tax in prior year. The effective tax rate for the 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.

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 period are as follows:

Group borrowings	Short Term (Secured) RM'000	Long Term (Secured) RM'000	Total RM'000
	Trust receipts and bankers' acceptance	53,158	-
Term loans	2,502	11,243	13,745
Hire purchase	274	230	504
Total	55,934	11,473	67,407

B8. Off balance sheet financial instruments

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

A First and Final Single Tier Dividend of 6% or 3.0 sen per share in respect of the financial year ended 31 December 2016 proposed on 27 April 2017 was approved by the shareholders during the Annual General Meeting on 14 June 2017 and will be paid on 14 July 2017.

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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 30.06.2017 RM'000	3 months Ended 30.06.2016 RM'000	6 months Ended 30.06.2017 RM'000	6 months Ended 30.06.2016 RM'000
a) Profit (loss) attributable to equity holders of the parent (RM'000)	3,593	8,320	6,521	10,747
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	2.27	5.25	4.11	6.78
ii) Diluted	Note	Note	Note	Note

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	
	30.06.2017 RM'000	30.06.2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	149,173	140,713
- Unrealised	1,023	2,108
	150,196	142,821
Less: Consolidation adjustments	(49,182)	(48,935)
Total Group retained profits as per consolidated accounts	101,014	93,886

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B13. Notes to the Statement of Comprehensive Income

	Quarter Ended	
	30.06.2017	30.06.2016
	RM'000	RM'000
Interest income	(1,721)	(1,685)
Interest expense	1,336	2,027
Bad debts written off	-	11
Depreciation and amortization	2,270	1,509
Impairment on trade receivables	-	1,800
Reversal of impairment on trade receivables	(274)	(127)
Loss on disposal of investment in subsidiary	-	187
(Gain) on disposal of property, plant and equipment	(244)	(114)
(Gain) on disposal of other investment	-	(5,889)
Unrealised loss on foreign exchange	870	480

Other than the above, there were no impairment of assets, gain or loss on disposal of quoted investments, gain or loss on derivatives and exceptional items for the current quarter ended 30 June 2017.