

ORNAPAPER BERHAD  
(Company No.: 573695 W)  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2018**

	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		30 Jun 2018 RM'000	30 Jun 2017 RM'000	30 Jun 2018 RM'000	30 Jun 2017 RM'000
Revenue	7	86,420	81,655	168,307	153,178
Cost of sales		(76,527)	(65,838)	(148,379)	(123,993)
Gross profit		9,893	15,817	19,928	29,185
Other items of income					
- Interest income		47	14	86	24
- Other income		262	654	597	928
Other items of expense					
- Administrative and other expenses		(6,167)	(10,482)	(12,071)	(20,031)
- Interest expense		(886)	(702)	(1,786)	(1,355)
Profit before tax	9	3,149	5,301	6,754	8,751
Income tax expense	10	(1,129)	(898)	(2,035)	(1,457)
Profit net of tax		2,020	4,403	4,719	7,294
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		2,020	4,403	4,719	7,294
<b>Profit net of tax, attributable to:</b>					
Owners of the parent		1,923	4,310	4,480	7,098
Non-controlling interests		97	93	239	196
		2,020	4,403	4,719	7,294
<b>Earnings per share attributable to owners of the parent (sen per share):</b>					
- Basic		2.59	5.81	6.04	9.57
- Diluted		2.59	5.81	6.04	9.57

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**  
 (Company No.: 573695 W)  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 June 2018**

	Note	30 Jun 2018 RM'000	31 Dec 2017 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	96,865	100,761
Land use rights		6,608	6,686
Goodwill	13	1,633	1,633
Deferred tax assets		-	196
		<u>105,106</u>	<u>109,276</u>
<b>Current assets</b>			
Inventories	14	52,426	53,396
Trade receivables	37	79,683	86,252
Other receivables		793	1,091
Other current assets		3,650	1,033
Tax recoverable		62	356
Held-to-maturity investment	15	5,304	3,954
Cash and bank balances	15	24,480	15,432
Derivatives asset		-	-
		<u>166,398</u>	<u>161,514</u>
<b>TOTAL ASSETS</b>		<u>271,504</u>	<u>270,790</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	17	86,407	86,407
Share premium	17	-	-
Treasury shares	17	(541)	(541)
Retained earnings		75,010	70,530
		<u>160,876</u>	<u>156,396</u>
<b>Non-controlling interests</b>		<u>1,417</u>	<u>1,246</u>
<b>TOTAL EQUITY</b>		<u>162,293</u>	<u>157,642</u>
<b>Non-current liabilities</b>			
Loans and borrowings	18	3,852	2,288
Deferred tax liabilities		9,222	9,107
		<u>13,074</u>	<u>11,395</u>
<b>Current liabilities</b>			
Loans and borrowings	18	64,384	66,315
Trade payables		23,097	24,270
Other payables		7,368	10,615
Income tax payable		1,288	553
		<u>96,137</u>	<u>101,753</u>
<b>TOTAL LIABILITIES</b>		<u>109,211</u>	<u>113,148</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>271,504</u>	<u>270,790</u>
<b>NET ASSETS PER SHARE</b>			
Attributable to owners of the parent (RM)		<u>2.14</u>	<u>2.08</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 2018**

	6 months ended	
	30-Jun-2018 RM'000	30-Jun-2017 RM'000
<b>Operating activities</b>		
Profit before taxation	6,754	8,751
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	6,716	6,282
- Land use right	79	65
Property, plant and equipment written off	-	2
Adjustment for property, plant and equipment		
Allowance for impairment loss on receivable	-	
Reversal of impairment loss on trade or other receivable		
(Gain) / loss on disposal of property, plant and equipment	(105)	(183)
Unrealised (gain) / loss on foreign exchange	(59)	41
Bad debts recovered	-	-
Bad debts written off	-	-
(Gain) / loss on fair value changes of derivatives	-	7
Interest expense	1,786	1,355
Interest income	(86)	(24)
<b>Operating cash flows before changes in working capital</b>	<u>15,085</u>	<u>16,296</u>
Decrease / (Increase) in inventories	970	(7,908)
Decrease / (increase) in trade and other receivables	6,867	(6,141)
(Increase) / decrease in other current assets	(2,617)	1,489
(Decrease) in trade and other payables	(4,420)	(612)
<b>Cash generated from operation</b>	<u>15,885</u>	<u>3,124</u>
Interest paid	(1,786)	(1,355)
Interest income	-	-
Taxes paid / refunded	(697)	(854)
<b>Net cash flows from / (used in) operating activities</b>	<u>13,402</u>	<u>915</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,878)	(6,548)
Increase in land use right	-	
Proceeds from disposal of property, plant and equipment	164	254
Interest received	86	24
(Increase) / decrease in deposit with a licensed bank	(1,350)	500
<b>Net cash flows used in investing activities</b>	<u>(3,978)</u>	<u>(5,770)</u>
<b>Financing activities</b>		
Drawdown of term loan	-	1,500
Drawdown of hire purchase	2,582	890
Repayment of term loan	(219)	(295)
Repayment of hire purchase	(266)	(144)
(Decrease) / Increase in short term borrowings	(2,125)	11,215
Dividend paid on ordinary shares	-	-
Dividend paid to non-controlling interests	(68)	-
<b>Net cash flows generated from financing activities</b>	<u>(96)</u>	<u>13,166</u>
<b>Net increase in cash and cash equivalents</b>	9,328	8,311
Effect of exchange rate changes on cash & cash equivalents	59	(41)
Cash and cash equivalents at 1 January	15	15,093
Cash and cash equivalents at 30 June	15	24,480
		6,407
		14,677

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  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE PERIOD ENDED 30 JUNE 2018**

	<----- Attributable to owners of the parent ----->						
	< ----- Non Distributable ----- > Share capital RM'000	Share premium 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 2018	86,407	-	(541)	70,530	156,396	1,246	157,642
Dividend paid to non-controlling interest	-	-	-	-	-	(68)	(68)
Dividend	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	4,480	4,480	239	4,719
As at 30 June 2018	<u>86,407</u>	<u>-</u>	<u>(541)</u>	<u>75,010</u>	<u>160,876</u>	<u>1,417</u>	<u>162,293</u>
As at 1 Jan 2017	75,251	11,156	(541)	56,848	142,714	1,059	143,773
Dividend paid to non-controlling interest	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	7,098	7,098	196	7,294
As at 30 June 2017	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>63,946</u>	<u>149,812</u>	<u>1,255</u>	<u>151,067</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 23 Aug 2018.

**2 BASIS OF PREPARATION**

These condensed consolidated interim financial statements, for the year ended 30 June 2018, 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 2017 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 2017.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017, except for the adoption of the following Malaysian Financial Reporting Standards ("MFRSs") which became effective for annual periods beginning on 1 January 2018.

MFRS 9 Financial Instruments  
 MFRS 15 Revenue from Contracts with Customers  
 Annual Improvements to MFRS Standards 2014 – 2016 Cycle  
 IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

**MFRS 9 Financial Instruments :**

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018. The three principal classifications categories for financial assets are measured at amortized cost fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

There was no material impact on the financial performance upon the adoption of the above.

**MFRS 15 Revenue from Contracts with Customers :**

MFRS 15 replaces MFRS 111 Construction Contracts. MFRS 118 Revenue and related interpretations and it applied to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. A new 5 steps process is applied before revenue can be recognised. The 5 steps are to Identify contracts with customers, to identify the separate performance obligations, to determine the transaction price of the contract, to allocate the transaction price to each of the separate performance obligations and to recognise the revenue as each performance obligation is satisfied.

Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group elected to adopt the modified retrospective method.

Please refer to note 7 for the disclosure of the impact on the Group's revenue.

The standards that are issued but not yet effective are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	01-Jan-19
MFRS 16 Leases	01-Jan-19
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	01-Jan-19
Annual Improvements to MFRS Standards 2015–2017 Cycle	01-Jan-19
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	01-Jan-19
IC Interpretation 23 Uncertainty over Income Tax Treatments	01-Jan-19
MFRS 17 Insurance Contracts	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

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of 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	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Revenue</b>	179,746	161,249	7,888	51	14,589	14,503	(33,916)	(22,625)	168,307	153,178
<b>Profit</b>	4,992	7,372	7,039	(277)	185	212	(7,736)	(209)	4,480	7,098
<b>Assets</b>	259,211	242,390	110,604	99,893	20,198	16,775	(118,509)	(112,003)	271,504	247,055
<b>Liabilities</b>	115,185	102,783	568	22	6,216	6,571	(12,758)	(13,387)	109,211	95,989

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 increased by 11.47% from RM161.25 million to RM179.75 million which was mainly due to higher sales volume and higher average selling price. However, the profit after tax decreased from RM7.37 million to RM4.99 million due to higher cost of manufacturing.

#### Paper stationery products segment :

The revenue increased slightly by 0.59% from RM14.50 million to RM14.59 million.

This segment recorded a profit after tax of RM185,000 compared to RM212,000 recorded in the previous year corresponding quarter.

## 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	
	2018 RM'000	2017 RM'000
Paper industry	48,652	44,076
Furniture, rubber, hardware & steel	37,698	32,819
Food based, beverage & Tobacco	33,450	25,978
Electronic & electrical	27,383	35,295
Others	21,124	15,010
	<u>168,307</u>	<u>153,178</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 3 Months Ended 30 Jun		Cumulative quarter 6 Months Ended 30 Jun	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Depreciation of property, plant & equipment	3,383	3,157	6,716	6,282
Amortisation of land use right	40	32	79	65
Impairment loss on trade & other receivables	-	-	-	-
Reversal of impairment loss on trade receivable	-	-	-	-
Bad debts written off	-	-	-	-
(Gain) / loss on disposal of property, plant and equipment	(70)	(128)	(105)	(183)
Property, plant & equipment written off	-	1	-	2
(Gain) / loss on foreign exchange - realised	65	(396)	(199)	(461)
(Gain) / loss on foreign exchange - unrealised	(50)	32	(59)	41
Loss on fair value changes of derivatives	26	13	-	7

## 10 INCOME TAX EXPENSE

	3 Months Ended 30 Jun		6 Months Ended 30 Jun	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax	(899)	(658)	(1,725)	(1,077)
Deferred tax	(230)	(240)	(310)	(380)
	<u>(1,129)</u>	<u>(898)</u>	<u>(2,035)</u>	<u>(1,457)</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 3 Months Ended 30 Jun		Cumulative quarter 6 Months Ended 30 Jun	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 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)	1,923	4,310	4,480	7,098
Basic earnings per share (Sen)	2.59	5.81	6.04	9.57
Diluted earnings per share (Sen)	2.59	5.81	6.04	9.57

## 12 PROPERTY, PLANT AND EQUIPMENT

For the 6 months period ended 30 June 2018, assets with a carrying amount of RM59,135 (2017:RM70,723) were disposed off by the Group resulting in a net gain on disposal of RM105,267 (2017:gain of RM183,465), recognised and included in the statement of comprehensive income.

## 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 2017.

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

## 14 INVENTORIES

During the period ended 30 June 2018, there were no write-down of inventories.

## 15 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

	30-Jun 2018 RM'000	31-Dec 2017 RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	24,480	15,432
Short term deposits with licensed banks	5,304	3,954
Cash and bank balances	29,784	19,386
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	24,480	15,432
Bank overdrafts	-	(339)
Total cash and cash equivalents	24,480	15,093

## 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 June 2018, the Group do not hold any financial assets or liabilities that are measured at fair value.

## 17 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	30-Jun 2018 RM'000	31-Dec 2017 RM'000
<u>Share capital</u>		
Balance as at 1 Jan 2018/ 2017	86,407	75,251
Transfer from share premium accounts	-	11,156
Balance as at 30 Jun 2018/ 31 Dec 2017	86,407	86,407

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Section 74 of the Act states that all shares issued before or after 31 January 2017 shall have no par or nominal value. Section 618(2) of the Act states that upon the commencement of Section 74, the share premium account and capital redemption reserve shall become part of share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

There were no issuance or re-purchase of ordinary shares during the financial period ended 30 June 2018.

## 18 INTEREST-BEARING LOANS AND BORROWINGS

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

Type of Borrowing	Fixed rate	Floating rate	30-Jun	Weighted	30-Jun	Weighted	31-Dec	Weighted
			2018	Average	2017	Average	2017	Average
			RM'000	Interest Rate	RM'000	Interest Rate	RM'000	Interest Rate
<b>Short term borrowing (secured)</b>								
Bank overdrafts (floating)		100%	-	0.00%	346	7.94%	339	7.68%
Charge card			150		-		171	
Trade bills (floating)		100%	62,897	4.29%	56,782	4.14%	65,001	4.03%
Hire purchase payables (fixed)	100%		875	3.17%	296	3.35%	354	3.49%
Term loans (floating)		100%	462	5.61%	467	6.30%	450	5.64%
			<u>64,384</u>		<u>57,891</u>		<u>66,315</u>	
<b>Long term borrowing (secured)</b>								
Hire purchase payables (fixed)	100%		2,930		738		1,135	
Term loans (floating)		100%	922		1,381		1,153	
			<u>3,852</u>		<u>2,119</u>		<u>2,288</u>	
<b>Total borrowing</b>			<u><b>68,236</b></u>		<u><b>60,010</b></u>		<u><b>68,603</b></u>	

None of the above borrowings are dominated in foreign currencies.

There is no significant changes in total bank borrowings.

There were drawdown of hire purchases amounting to RM2.582 million during the quarter to finance the purchase of property, plant and equipment.

## 19 PROVISIONS FOR COST OF RESTRUCTURING

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

## 20 DIVIDENDS

The proposed final single tier dividend of 2.5 sen per ordinary share for financial year ended 31 December 2017 which was approved by the shareholders during the Annual General Meeting held on 25 May 2018 was paid on 16 July 2018.

## 21 CAPITAL COMMITMENTS

	30-Jun	30-Jun
	2018	2017
	RM'000	RM'000
Approved and contracted for:		
Purchase of property, plant & equipment	<u>437</u>	<u>2,640</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 during the year ended 30 June 2018 and 30 June 2017 as well as the balances with the related parties as at 30 June 2018 and 31 December 2017:

	Transactions with related parties		Amounts owed by related parties		Amounts due to related parties	
	6 months ended		As At		As At	
	30-Jun	30-Jun	30-Jun	31-Dec	30-Jun	31-Dec
	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Sales of carton boxes &amp; stationery products #</b>						
Perfect Food Manufacturing (M) Sdn. Bhd. *	-	3,482	-	3,858	-	-
Julie's Manufacturing Sdn. Bhd. *	5,797	1,720	4,374	1,267	-	-
STH Wire Industry (M) Sdn. Bhd. @	33	34	6	6	-	-
<b>Purchase of raw material #</b>						
STH Wire Industry (M) Sdn. Bhd.	<u>274</u>	<u>262</u>	<u>-</u>	<u>-</u>	<u>78</u>	<u>66</u>

\* Companies in which Sai Chin Hock, a director and substantial shareholder, has 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.

## 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

	3 Months ended			6 Months ended		
	30-Jun	30-Jun	Changes (%)	30-Jun	30-Jun	Changes (%)
	2018	2017		2018	2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	86,420	81,655	5.84%	168,307	153,178	9.88%
Gross Profit	9,893	15,817	-37.45%	19,928	29,185	-31.72%
Profit Before Interest and Tax	3,988	5,989	-33.41%	8,454	10,082	-16.15%
Profit before tax	3,149	5,301	-40.60%	6,754	8,751	-22.82%
Profit After tax	2,020	4,403	-54.12%	4,719	7,294	-35.30%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,923	4,310	-55.38%	4,480	7,098	-36.88%

The Group recorded revenue growth of 5.84% to RM86.42 million compared to RM81.66 million recorded in the corresponding quarter due to higher sales volume and higher average selling price. The sales volume and average selling price for corrugated cartons and boards has increased by 4.50% and 1.28% respectively compared to the corresponding quarter.

Despite increase in revenue, profit before tax reduced from RM5.30 million in the corresponding quarter to RM3.15 million in the current quarter due to higher operating cost.

Note : Upon adoption of MFRS 15 beginning 1 Jan 2018, carriage outwards of RM3.985 million is accounted under cost of sales instead of administrative and other expenses in current reporting quarter.

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

	30-Jun	31-Mar	Changes (%)
	2018	2018	
	RM'000	RM'000	
Revenue	86,420	81,887	5.54%
Gross Profit	9,893	10,035	-1.42%
Profit Before Interest and Tax	3,988	4,466	-10.70%
Profit before tax	3,149	3,605	-12.65%
Profit After tax	2,020	2,699	-25.16%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,923	2,557	-24.79%

The key factors affect the group's performance include mainly raw material costs (such as kraft liner, test liner, medium paper and etc), operationing cost, demand for the packaging products and the ability to cope with the change.

The Group's revenue increased by 5.54% to RM86.42 million compared to RM81.89 million recorded in the preceding quarter due to higher sales volume.

Profit before tax decreased from RM3.61 million to RM 3.15 million due to higher production cost and lower average selling price.

**26 COMMENTARY ON PROSPECTS**

The Group maintains a cautiously positive outlook for the remaining quarters. The Group will continue to strengthen our market position and customer base and emphasis on productivity and efficiency to mitigate the impact of increase in operating cost.

The Group will focus on managing and balancing the selling prices of cartons and material costs.

The Board is confident that the Group will achieve a reasonable performance in the remaining quarters.

**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, except for a trade dispute over the Collective Agreement between a wholly-owned subsidiary, Ornapaper Industry (M) Sdn. Bhd. and the Paper and Paper Products Manufacturing Employee's Union that was referred to the Industrial Court.

The matter has been fixed for case management on 4/9/2018. The Board of Directors believes that there will not have unfavorable outcome from the dispute. Hence, no provision is provided for as at the reporting date.

**32 DIVIDEND PAYABLE**

Refer to Note 20 for details.

**33 DISCLOSURE OF NATURE OF OUTSTANDING DERIVATIVES**

Type of Derivatives	Contract No.	Contract Value	Fair Value	Book Date	Expiry Date
		USD'000	RM'000		
NONE					

**34 RATIONALE FOR ENTERING INTO DERIVATIVES**

There were no outstanding foreign exchange contract for the period ended 30 June 2018.

**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") and Singapore Dollars ("SGD"). 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**

There was no gain/loss arising from fair value changes of financial liabilities.

**37 TRADE RECEIVABLES**

Trade receivables are non-interest bearing and are generally on 30 to 150 (2017: 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	30-Jun	30-Jun	30-Jun
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Neither past due not impaired	63,895	60,447	4,380	5,236
1 to 30 days past due not impaired	10,497	7,817	-	-
31 to 60 days past due not impaired	3,999	3,140	-	-
More than 61 days past due not impaired	1,292	928	-	-
Total past due not impaired	15,788	11,885	-	-
Impaired	92	92	-	-
	<u>79,775</u>	<u>72,424</u>	<u>4,380</u>	<u>5,236</u>

\* 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.

**38 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT**

The auditors' report on the financial statements for the year ended 31 December 2017 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 23 August 2018.