

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2019**

	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Revenue	7	79,960	86,420	159,418	168,307
Cost of sales		(69,036)	(76,527)	(137,777)	(148,379)
Gross profit		10,924	9,893	21,641	19,928
Other items of income					
- Interest income		132	47	209	86
- Other income		91	262	283	597
Other items of expense					
- Administrative and other expenses		(6,760)	(6,167)	(13,448)	(12,071)
- Interest expense		(1,006)	(886)	(1,904)	(1,786)
Profit before tax	9	3,381	3,149	6,781	6,754
Income tax expense	10	(939)	(1,129)	(2,135)	(2,035)
Profit net of tax		2,442	2,020	4,646	4,719
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		2,442	2,020	4,646	4,719
Profit net of tax, attributable to:					
Owners of the parent		2,338	1,923	4,452	4,480
Non-controlling interests		104	97	194	239
		2,442	2,020	4,646	4,719
Earnings per share attributable to owners of the parent (sen per share):					
- Basic		3.15	2.59	6.00	6.04
- Diluted		3.15	2.59	6.00	6.04

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)
 (Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 June 2019**

	Note	30 June 2019 RM'000	31 Dec 2018 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	94,631	96,848
Land use rights		6,450	6,529
Goodwill	13	1,633	1,633
Deferred tax assets		-	713
		<u>102,714</u>	<u>105,723</u>
Current assets			
Inventories	14	52,174	47,397
Right of return assets		110	110
Trade receivables	37	69,885	84,273
Other receivables		723	805
Other current assets		7,300	3,745
Tax recoverable		9	11
Deposits with licensed banks	15	6,438	6,436
Cash and bank balances	15	33,332	29,747
		<u>169,971</u>	<u>172,524</u>
TOTAL ASSETS		<u>272,685</u>	<u>278,247</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	17	86,407	86,407
Treasury shares	17	(541)	(541)
Retained earnings		82,557	78,105
		<u>168,423</u>	<u>163,971</u>
Non-controlling interests		1,656	1,530
TOTAL EQUITY		<u>170,079</u>	<u>165,501</u>
Non-current liabilities			
Loans and borrowings	18	6,120	6,628
Deferred tax liabilities		9,249	9,822
		<u>15,369</u>	<u>16,450</u>
Current liabilities			
Loans and borrowings	18	60,300	56,403
Trade payables		16,969	25,348
Other payables		8,246	13,215
Refund liabilities		392	628
Income tax payable		1,330	702
		<u>87,237</u>	<u>96,296</u>
TOTAL LIABILITIES		<u>102,606</u>	<u>112,746</u>
TOTAL EQUITY AND LIABILITIES		<u>272,685</u>	<u>278,247</u>
NET ASSETS PER SHARE			
Attributable to owners of the parent (RM)		<u>2.27</u>	<u>2.21</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
 (Company No.: 573695 W)
 (Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE PERIOD ENDED 30 JUNE 2019**

	6 months ended	
	30-Jun-2019 RM'000	30-Jun-2018 RM'000
Operating activities		
Profit before taxation	6,781	6,754
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	6,706	6,716
- Land use right	79	79
Gain on disposal of property, plant and equipment	(42)	(105)
Unrealised (gain) on foreign exchange	(4)	(59)
Interest expense	1,904	1,786
Interest income	(209)	(86)
Operating cash flows before changes in working capital	<u>15,215</u>	<u>15,085</u>
Working capital adjustments :		
(Increase) / decrease in inventories and right of return assets	(4,777)	970
Decrease in trade and other receivables	14,470	6,867
(Increase) in other current assets	(818)	(2,617)
(Decrease) in payables and refund liabilities	(13,584)	(4,420)
Cash generated from operation	<u>10,506</u>	<u>15,885</u>
Interest paid	(1,904)	(1,786)
Taxes paid	(1,366)	(697)
Net cash flows generated from operating activities	<u>7,236</u>	<u>13,402</u>
Investing activities		
Purchase of property, plant and equipment	(7,305)	(2,878)
Proceeds from disposal of property, plant and equipment	121	164
Interest received	209	86
(Increase) in deposit with a licensed bank	(1)	(1,350)
Net cash flows used in investing activities	<u>(6,976)</u>	<u>(3,978)</u>
Financing activities		
Drawdown of hire purchase	99	2,582
Repayment of term loan	(521)	(219)
Repayment of hire purchase	(192)	(266)
Increase / (Decrease) in short term borrowings	3,266	(2,125)
Dividend paid to non-controlling interests	(68)	(68)
Net cash flows generated from financing activities	<u>2,584</u>	<u>(96)</u>
Net increase in cash and cash equivalents	2,844	9,328
Effect of exchange rate changes on cash & cash equivalents	4	59
Cash and cash equivalents at 1 January	15 <u>29,747</u>	15,093
Cash and cash equivalents at 30 June	15 <u>32,595</u>	<u>24,480</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
 (Company No.: 573695 W)
 (Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 30 JUNE 2019**

	<----- Attributable to owners of the parent ----->					
	<----- Non 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 2019	86,407	(541)	78,105	163,971	1,530	165,501
Dividend paid to non-controlling interest	-	-	-	-	(68)	(68)
Total comprehensive income for the period	-	-	4,452	4,452	194	4,646
As at 30 June 2019	<u>86,407</u>	<u>(541)</u>	<u>82,557</u>	<u>168,423</u>	<u>1,656</u>	<u>170,079</u>
As at 1 Jan 2018	86,407	(541)	70,530	156,396	1,246	157,642
Dividend paid to non-controlling interest	-	-	-	-	(68)	(68)
Total comprehensive income for the period	-	-	4,480	4,480	239	4,719
As at 30 June 2018	<u>86,407</u>	<u>(541)</u>	<u>75,010</u>	<u>160,876</u>	<u>1,417</u>	<u>162,293</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 19 August 2019.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the year ended 30 June 2019, 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 2018 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 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 During the current financial period as at 30 June 2019, 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)

MFRS 16 Leases	01-Jan-19
IC Interpretation 23 Uncertainty Over Income Tax Treatments	01-Jan-19
Amendments to MFRS 9: Prepayment Features with Negative Compensation	01-Jan-19
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	01-Jan-19
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	01-Jan-19

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

MFRS 16: Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. There is no material financial impact that arise from the adoption of this standard.

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
MFRS 17 Insurance Contracts	01-Jan-21
Amendments to MFRS 3: Definition of a Business	01-Jan-20
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	01-Jan-20
Amendments to References to the Conceptual Framework in MFRS Standards	01-Jan-20

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	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun	30-Jun
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	170,011	179,746	3,190	7,888	8,330	14,589	(22,113)	(33,916)	159,418	168,307
Profit	5,427	4,992	1,698	7,039	(301)	185	(2,372)	(7,736)	4,452	4,480
Assets	253,668	259,211	111,701	110,604	22,041	20,198	(114,725)	(118,509)	272,685	271,504
Liabilities	102,606	115,185	460	568	8,300	6,216	(8,760)	(12,758)	102,606	109,211

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 decreased by 5.42% from RM179.75 million to RM170.01 million which was mainly due to lower average selling price. However, the profit after tax increased from RM4.99 million to RM5.43 million due to lower raw material cost.

Paper stationery products segment :

The revenue decreased by 42.9% from RM14.59 million to RM8.33 million due to decrease in sales volume.

This has resulted this segment recorded a loss after tax of RM301 thousand compared to a profit after tax of RM185 thousand recorded in 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 Jun	
	2019 RM'000	2018 RM'000
Paper industry	41,611	48,652
Furniture, rubber, hardware & steel	41,382	37,698
Food based, beverage & Tobacco	35,236	33,450
Electronic & electrical	23,852	27,383
Others	17,337	21,124
	<u>159,418</u>	<u>168,307</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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income	(132)	(47)	(209)	(86)
Interest expense	1,006	886	1,904	1,786
Depreciation of property, plant & equipment	3,372	3,383	6,706	6,716
Amortisation of land use right	40	40	79	79
Gain on disposal of property, plant and equipment	(15)	(70)	(42)	(105)
(Gain) / loss on foreign exchange - realised	(9)	65	(76)	(199)
(Gain) / loss on foreign exchange - unrealised	(5)	(50)	(4)	(59)
(Gain) / loss on fair value changes of derivatives	-	26	-	-

10 INCOME TAX EXPENSE

	Current quarter 3 Months Ended 30 Jun		Cumulative quarter 6 Months Ended 30 Jun	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current tax	(1,020)	(899)	(1,995)	(1,725)
Deferred tax	81	(230)	(140)	(310)
	(939)	(1,129)	(2,135)	(2,035)

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	
	2019	2018	2019	2018
	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)	2,338	1,923	4,452	4,480
Basic earnings per share (Sen)	3.15	2.59	6.00	6.04
Diluted earnings per share (Sen)	3.15	2.59	6.00	6.04

12 PROPERTY, PLANT AND EQUIPMENT

For the 6 months period ended 30 June 2019, assets with a carrying amount of RM80,730 (2018:RM59,135) were disposed off by the Group resulting in a net gain on disposal of RM41,824 (2018:gain of RM105,267), 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 2018.

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

14 INVENTORIES

During the period ended 30 June 2019, there were no write-down of inventories.

15 CASH AND BANK BALANCES

Cash and cash equivalents comprised the following amounts:

	30-Jun 2019 RM'000	31-Dec 2018 RM'000
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	33,332	29,747
Short term deposits with licensed banks	6,438	6,436
Cash and bank balances	39,770	36,183
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	33,332	29,747
Bank overdrafts	(737)	-
Total cash and cash equivalents	32,595	29,747

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 2019, the Group do not hold any financial assets or liabilities that are measured at fair value.

17 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

There were no issuance or re-purchase of ordinary shares during the financial period ended 30 June 2019.

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	31-Dec	Weighted
			2019	Average	2018	Average
			RM'000	Interest Rate	RM'000	Interest Rate
Short term borrowing (secured)						
Bank overdrafts (floating)		100%	737	7.06%		
Charge card			279		157	
Trade bills (floating)		100%	57,355	4.15%	54,211	4.33%
Finance lease payables (fixed)	100%		1,243	3.25%	1,043	3.85%
Term loans (floating)		100%	686	6.33%	992	6.24%
			<u>60,300</u>		<u>56,403</u>	
Long term borrowing (secured)						
Finance lease payables (fixed)	100%		3,091		3,384	
Term loans (floating)		100%	3,029		3,244	
			<u>6,120</u>		<u>6,628</u>	
Total borrowing			<u>66,420</u>		<u>63,031</u>	

None of the above borrowings are dominated in foreign currencies.

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 2.5 sen per ordinary share for financial year ended 31 December 2018 proposed by the Board of Directors on 25 February 2019 was paid on 16 July 2019. There were no dividends declared for the quarter under review.

21 CAPITAL COMMITMENTS

	30-Jun	30-Jun
	2019	2018
	RM'000	RM'000
Approved and contracted for:		
Purchase of property, plant & equipment	9,375	437

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 2019 and 30 June 2018 as well as the balances with the related parties as at 30 June 2019 and 31 December 2018:

	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
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of carton boxes & stationery products #						
Julie's Manufacturing Sdn. Bhd. *	4,754	5,797	3,626	4,799	-	-
STH Wire Industry (M) Sdn. Bhd. @	35	33	10	9	-	-
Purchase of raw material #						
STH Wire Industry (M) Sdn. Bhd.	251	274	-	-	69	81

- * Companies in which Sai Chin Hock, a director and substantial shareholder, has interest
- Companies in which Sai Ah Sai, a director, has interest
- Companies in which Sai Han Siong (the son of Sai Ah Sai and nephew of Sai Chin Hock), has indirect 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

	Current quarter 3 Months ended			Cumulative quarter 6 Months ended		
	30-Jun	30-Jun	Changes (%)	30-Jun	30-Jun	Changes (%)
	2019 RM'000	2018 RM'000		2019 RM'000	2018 RM'000	
Revenue	79,960	86,420	-7.48%	159,418	168,307	-5.28%
Gross Profit	10,924	9,893	10.42%	21,641	19,928	8.60%
Profit Before Interest and Tax	4,255	3,988	6.70%	8,476	8,454	0.26%
Profit before tax	3,381	3,149	7.37%	6,781	6,754	0.40%
Profit After tax	2,442	2,020	20.89%	4,646	4,719	-1.55%
Profit Attributable to Ordinary Equity Holders of the Parent	2,338	1,923	21.58%	4,452	4,480	-0.63%

The Group's revenue decreased by 7.5% to RM79.96 million compared to RM86.42 million recorded in the corresponding quarter mainly due to decrease in sales volume by 2.6% and average selling price by 4.9% . The decrease in average selling price was mainly driven by the decrease in raw material price in the paper industry.

Despite the decrease in revenue, profit before tax increased by 7.37% from RM3.15 million to RM3.38 million due to lower raw material cost .

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

	30-Jun	31-Mar	Changes (%)
	2019 RM'000	2019 RM'000	
Revenue	79,960	79,458	0.63%
Gross Profit	10,924	10,717	1.93%
Profit Before Interest and Tax	4,255	4,221	0.81%
Profit before tax	3,381	3,400	-0.56%
Profit After tax	2,442	2,204	10.80%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	2,338	2,114	10.60%

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

The Group's revenue increased slightly by 0.63% to RM79.96 million compared to RM79.46 million recorded in the preceding quarter.

Profit before tax decreased slightly from RM3.40 million to RM 3.38 million.

26 COMMENTARY ON PROSPECTS

The paper industry continues to be very competitive and challenging. The Group's performance is affected by various factors such as raw materials prices , demand of the products and inflationary impact on other operating costs. The current trade tensions between China and United States will drag down the global and local economic growth in the remaining quarters.

The Group continues to be committed to improve operating efficiency and appropriate measures are in place to mitigate any negative effect.

The Board of Directors remain optimistic that the Group will remain profitable for the financial year ending 31 December 2019.

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, FORCAST, 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 is now pending decision on the Preliminary Issues on a date to be fixed by the Court. 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
NONE		USD'000	RM'000		

34 RATIONALE FOR ENTERING INTO DERIVATIVES

There were no outstanding foreign exchange contract for the period ended 30 June 2019.

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

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 (2018: 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 2019 RM'000	30-Jun 2018 RM'000	30-Jun 2019 RM'000	30-Jun 2018 RM'000
Neither past due not impaired	61,600	63,895		4,380
1 to 30 days past due not impaired	5,519	10,497	-	-
31 to 60 days past due not impaired	1,805	3,999	-	-
More than 61 days past due not impaired	893	1,292	-	-
Total past due not impaired	8,217	15,788	-	-
	68	92	-	-
	<u>69,885</u>	<u>79,775</u>	<u>3,636</u>	<u>4,380</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 2018 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 19 August 2019.