

## Notes on the quarterly report – 31 March 2018

### 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 Malaysian Financial Reporting Standards (“MFRS”) 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 2017. 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 since the year ended 31 December 2017.

#### 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 2017.

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:

		<u>Effective date for financial periods beginning on or after</u>
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
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share Based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contract</i>	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
Annual Improvements to MFRSs 2014-2016 Cycle:		
•	Amendments to MFRS 1	1 January 2018
•	Amendments to MFRS 128	1 January 2018
MFRS 16	Lease	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle:		

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• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
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	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 Group and the Company intend to adopt the above MFRSs, IC Interpretations and amendments to MFRSs when they become effective.

**A2. Qualification of annual financial statements**

There were no audit qualifications on the annual audited financial statements for the year ended 31 December 2017.

**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 31 March 2018 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 31 December 2017	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 31 March 2018	1,418,900	649,578

There were no additional repurchase of shares since 1 January 2018.

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**A7. Dividend paid**

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

**A8. Segment information**

Details segmental analysis for the period ended 31 March 2018 are as follows:

(a) **Geographical segments**

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	46,868
Asia (other than Malaysia)	7,603
Total	<u>54,471</u>

(b) **Business segments**

	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
<b>Revenue</b>					
External customer	30,251	24,220	-	-	54,471
Inter-segment	12,137	9,615	-	(21,752)	-
Total revenue	<u>42,388</u>	<u>33,835</u>	-	<u>(21,752)</u>	<u>54,471</u>
<b>Results</b>					
Segment results	2,146	1,754	(95)	-	3,805
Interest income	471	254	94	-	819
Finance costs	(533)	(60)	-	-	(593)
Profit before taxation	<u>2,084</u>	<u>1,948</u>	<u>(1)</u>	-	<u>4,031</u>
Taxation	(508)	(467)	(22)	-	(997)
Net profit for the financial period	<u>1,576</u>	<u>1,481</u>	<u>(23)</u>	-	<u>3,034</u>
<b>Assets</b>					
Additions to non- current assets	6	279	-	-	285
Segment assets	<u>138,531</u>	<u>118,107</u>	<u>92,718</u>	<u>(93,465)</u>	<u>255,891</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.

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**A10. Acquisitions and Disposals of Property, Plant and Equipment**

There were no major acquisitions and disposal of property, plant and equipment during the quarter under review.

**A11. Material events subsequent to the end of the interim period**

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

**A12. Changes in the composition of the Group**

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

**A13. 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.

**A14. Capital commitments**

There were no significant capital commitments as at 31 March 2018.

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

**B1. Review of performance**

	Individual Period			Cumulative Period		
	Current Year Quarter 31.03.2018 RM'000	Preceding Year Corresponding Quarter 31.03.2017 RM'000	Changes (RM'000 / %)	Current Year To- date 31.03.2018 RM'000	Preceding Year Corresponding Period 31.03.2017 RM'000	Changes (RM'000 / %)
Revenue	54,471	67,235	(12,764) / -19.0%	54,471	67,235	(12,764) / -19.0%
Operating Profit	3,805	4,604	(799) / -17.4%	3,805	4,604	(799) / -17.4%
Profit Before Tax	4,031	4,686	(655) / -14.0%	4,031	4,686	(655) / -14.0%
Profit After Tax	3,034	2,928	106 / 3.6%	3,034	2,928	106 / 3.6%
Profit Attributable to Ordinary Equity Holders of the Parent	3,034	2,928	106 / 3.6%	3,034	2,928	106 / 3.6%

The Group recorded revenue of RM54.5 million for the current quarter, a decrease of RM12.8 million as compared to RM67.2 million in the preceding year corresponding quarter mainly due to lower sales in processed paper products segment as a result of increased in selling price in these products in correspondence with the higher cost of raw materials.

The Group recorded a lower profit before tax of RM4.0 million for the current quarter, a decrease of RM0.6 million as compared to RM4.6 million in the preceding year corresponding quarter mainly due to lower sales in processed paper products segment.

**B2. Variation of results against immediate preceding quarter**

	Current Quarter 31/03/2018 RM'000	Immediate Preceding Quarter 31/12/2017 RM'000	Changes (Amount / %) RM'000 / %
Revenue	54,471	73,711	(19,240) / -26.1%
Operating Profit	3,805	2,844	961 / 33.8%
Profit Before Tax	4,031	3,329	702 / 21.1%
Profit After Tax	3,034	1,612	1,422 / 88.2%
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	3,034	1,612	1,422 / 88.2%

The Group's profit before tax increased to RM4.0 million for the current quarter as compared to RM3.3 million in the immediate preceding quarter for the period ended 31 December 2017, mainly due to lower administration, marketing and distribution expenses.

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**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 of quarters of the year.

**B4. Variance of actual and forecast profit**

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

**B5. Tax expense**

	Current quarter ended 31.03.2018 RM'000	Current year to date 31.03.2018 RM'000
Estimated tax payable:		
Current	997	997
Total	997	997

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.

**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	39,539	-	39,539
Term loans	2,502	9,367	11,869
Hire purchase	153	134	287
Total	42,194	9,501	51,695

**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.

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**B10. Dividends**

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

**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 31.03.2018 RM'000	3 months Ended 31.03.2017 RM'000	3 months Ended 31.03.2018 RM'000	3 months Ended 31.03.2017 RM'000
a) Profit (loss) attributable to equity holders of the parent (RM'000)	3,034	2,928	3,034	2,928
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	1.91	1.85	1.91	1.85
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	
	31.03.2018 RM'000	31.03.2017 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	149,211	144,369
- Unrealised	2,072	1,319
	151,283	145,688
Less: Consolidation adjustments	(47,956)	(48,267)
Total Group retained profits as per consolidated accounts	103,327	97,421

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**B13. Notes to the Statement of Comprehensive Income**

	Quarter Ended	
	31.03.2018	31.03.2017
	RM'000	RM'000
Interest income	(819)	(848)
Interest expense	593	766
Depreciation of property, plant and equipment	1,095	1,130
Reversal of impairment on trade receivables	(1)	(9)
Gain on disposal of property, plant and equipment	-	(95)
Unrealised loss on foreign exchange	5	574

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 31 March 2018.

**B14. Authorisation for Issue**

The interim financial report was authorised for issuance by the Board of Directors of the Company on 24 May 2018.