

Notes on the quarterly report – 30 September 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 30 September 2018 are as follows:

	Number of Treasury Shares	Total consideration RM
Balance as at 30 June 2018	1,418,900	649,578
Repurchased during the quarter	0	0
Balance as at 30 September 2018	1,418,900	649,578

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

A7. Dividend paid

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

A8. Segment information

Details segmental analysis for the period ended 30 September 2018 are as follows:

(a) Geographical segments

Revenue by geographical location of customers:

<u>Location</u>	Consolidated RM'000
Malaysia	168,741
Asia (other than Malaysia)	20,471
Total	<u>189,212</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
Revenue					
External customer	119,963	69,249	-	-	189,212
Inter-segment	59,946	29,887	-	(89,833)	-
Total revenue	<u>179,909</u>	<u>99,136</u>	<u>-</u>	<u>(89,833)</u>	<u>189,212</u>
Results					
Segment results	6,684	6,649	(421)	-	12,912
Interest income	1,019	1,042	301	-	2,362
Finance costs	(1,797)	(110)	-	-	(1,907)
Profit before tax	<u>5,906</u>	<u>7,581</u>	<u>(120)</u>	<u>-</u>	<u>13,367</u>
Taxation	(2,759)	(1,980)	(72)	-	(4,811)
Net profit for the financial period	<u>3,147</u>	<u>5,601</u>	<u>(192)</u>	<u>-</u>	<u>8,556</u>
Assets					
Additions to non- current assets	853	1,114	-	-	1,967
Segment assets	<u>155,871</u>	<u>118,263</u>	<u>86,283</u>	<u>(96,233)</u>	<u>264,184</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. 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.

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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 30 September 2018.

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

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B1. Review of performance

	Individual Period			Cumulative Period		
	Current Year Quarter 30.09.2018 RM'000	Preceding Year Corresponding Quarter 30.09.2017 RM'000	Changes (RM'000 / %)	Current Year To- date 30.09.2018 RM'000	Preceding Year Corresponding Period 30.09.2017 RM'000	Changes (RM'000 / %)
Revenue	74,561	72,013	2,548 / 3.5%	189,212	201,514	(12,302) / -6.1%
Operating Profit	4,534	2,963	1,571 / 53.0%	12,912	11,386	1,526 / 13.4%
Profit Before Tax	4,973	3,317	1,656 / 49.9%	13,367	12,125	1,242 / 10.2%
Profit After Tax	3,288	2,424	864 / 35.6%	8,556	8,945	(389) / -4.3%
Profit Attributable to Ordinary Equity Holders of the Parent	3,288	2,424	864 / 35.6%	8,556	8,945	(389) / -4.3%

The Group recorded revenue of RM74.6 million for the current quarter, a increase of RM2.6 million as compared to RM72.0 million in the preceding year corresponding quarter mainly due to improved trading activities in both processed paper products and disposable fibre-based products segment during the quarter under review.

The Group recorded a higher profit before tax of approximately RM5.0 million for the current quarter, an increase of RM1.7 million as compared to RM3.3 million in the preceding year corresponding quarter mainly due to improved revenue in both processed paper products and disposable fibre-based products segment.

B2. Variation of results against immediate preceding quarter

	Current Quarter 30/09/2018 RM'000	Immediate Preceding Quarter 30/06/2018 RM'000	Changes (Amount / %) RM'000 / %
Revenue	74,561	60,180	14,381 / 23.9%
Operating Profit	4,534	4,574	(40) / -0.9%
Profit Before Tax	4,973	4,363	610 / 14.0%
Profit After Tax	3,288	2,234	1,054 / 47.2%
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	3,288	2,234	1,054 / 47.2%

The Group's profit before tax increased to RM4.9 million for the current quarter as compared to RM4.3 million in the immediate preceding quarter for the period ended 30 June 2018 mainly due to improved revenue and higher interest income.

B3. Prospects

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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 quarter 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 30.09.2018 RM'000	Current year to date 30.09.2018 RM'000
Estimated tax payable:		
Current	1,232	3,309
Under provision in prior year	453	453
Under Provision of Real Property Gain	-	1,049
Tax in Prior Year		
Total	1,685	4,811

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 under provision of corporate tax and real property gain tax in prior year and 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	49,274	-	49,274
Term loans	2,502	8,115	10,617
Hire purchase	105	91	196
Total	51,881	8,206	60,087

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 30.09.2018 RM'000	3 months Ended 30.09.2017 RM'000	9 months Ended 30.09.2018 RM'000	9 months Ended 30.09.2017 RM'000
a) Profit (loss) attributable to equity holders of the parent (RM'000)	3,288	2,424	8,556	8,945
b) Weighted average number of ordinary shares ('000):	158,581	158,581	158,581	158,581
c) Earnings per ordinary share (sen):				
i) Basic	2.07	1.53	5.40	5.64
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	
	30.09.2018 RM'000	30.09.2017 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	150,530	148,085
- Unrealised	2,244	673
	152,774	148,758
Less: Consolidation adjustments	(50,268)	(50,077)
Total Group retained profits as per consolidated accounts	102,506	98,681

B13. Notes to the Statement of Comprehensive Income

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	Quarter Ended	
	30.09.2018	30.09.2017
	RM'000	RM'000
Interest income	(2,362)	(2,761)
Interest expense	1,907	2,022
Bad debts written off	57	-
Depreciation and amortization	3,070	3,400
Impairment on trade receivables	197	-
Reversal of impairment on trade receivables	(1,737)	(274)
Gain on disposal of property, plant and equipment	-	(315)
Unrealised (gain) loss on foreign exchange	(166)	1,220

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 September 2018.

B14. Authorisation for Issue

The interim financial report was authorised for issuance by the Board of Directors of the Company on 16 October 2018.