

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE PERIOD ENDED 30 SEP 2017**

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
		RM'000	RM'000	RM'000	RM'000
Revenue		86,745	65,961	239,923	200,483
Cost of sales		(70,872)	(53,166)	(194,865)	(164,882)
Gross profit		15,873	12,795	45,058	35,601
Other items of income					
- Interest income		33	12	57	35
- Other income		261	656	1,189	1,608
Other items of expense					
- Administrative and other expenses		(10,223)	(9,191)	(30,254)	(27,537)
- Interest expense		(868)	(612)	(2,223)	(1,710)
Profit before tax	8	5,076	3,660	13,827	7,997
Income tax expense	9	(1,473)	(367)	(2,930)	(1,499)
Profit net of tax		3,603	3,293	10,897	6,498
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		3,603	3,293	10,897	6,498
<b>Profit net of tax, attributable to:</b>					
Owners of the parent		3,523	3,278	10,621	6,433
Non-controlling interests		80	15	276	65
		3,603	3,293	10,897	6,498
<b>Earnings per share attributable to owners of the parent (sen per share):</b>					
- Basic		4.75	4.42	14.32	8.68
- Diluted		4.75	4.42	14.32	8.68

These condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEP 2017**

	Note	30 Sep 2017 RM'000	31 Dec 2016 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	97,594	97,119
Land use rights		6,725	5,437
Goodwill	12	1,633	1,633
Deferred tax assets		438	428
		<u>106,390</u>	<u>104,617</u>
<b>Current assets</b>			
Inventories	13	55,384	37,256
Trade receivables	37	78,814	66,688
Other receivables		1,277	1,160
Other current assets		3,440	5,100
Tax recoverable		660	735
Held-to-maturity investment	14	3,847	4,347
Cash and bank balances	14	17,535	8,620
Derivatives asset		-	6
		<u>160,957</u>	<u>123,912</u>
<b>TOTAL ASSETS</b>		<u>267,347</u>	<u>228,529</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	86,407	75,251
Share premium	16	-	11,156
Treasury shares	16	(541)	(541)
Retained earnings		67,469	56,848
		<u>153,335</u>	<u>142,714</u>
<b>Non-controlling interests</b>		<u>1,267</u>	<u>1,059</u>
<b>TOTAL EQUITY</b>		<u>154,602</u>	<u>143,773</u>
<b>Non-current liabilities</b>			
Loans and borrowings	17	1,922	368
Deferred tax liabilities		9,722	8,652
		<u>11,644</u>	<u>9,020</u>
<b>Current liabilities</b>			
Loans and borrowings	17	68,971	48,343
Trade payables		22,181	18,983
Other payables		9,526	8,278
Income tax payable		423	132
		<u>101,101</u>	<u>75,736</u>
<b>TOTAL LIABILITIES</b>		<u>112,745</u>	<u>84,756</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>267,347</u>	<u>228,529</u>
<b>NET ASSETS PER SHARE</b>			
Attributable to owners of the parent (RM)		<u>2.04</u>	<u>1.90</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)  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 SEP 2017**

	<b>9 months ended</b>	
	<b>30-Sep-2017</b>	<b>30-Sep-2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating activities</b>		
<b>Profit before taxation</b>	13,828	7,997
Adjustments for:		
Depreciation and amortisation :		
- Property, plant & equipment	9,528	9,171
- Land use right	97	97
Property, plant and equipment written off	2	-
Reversal of impairment loss on trade or other receivable	-	(699)
Gain on disposal of property, plant and equipment	(149)	(10)
Unrealised loss on foreign exchange	19	-
(Gain) / loss on fair value changes of derivatives	7	7
Interest expense	2,223	1,710
Interest income	(57)	(30)
<b>Operating cash flows before changes in working capital</b>	<u>25,498</u>	<u>18,243</u>
(Increase) / decrease in inventories	(18,128)	(4,731)
Increase in trade and other receivables	(12,243)	(2,738)
Decrease / (increase) in other current assets	1,660	(5,972)
Increase / (decrease) in trade and other payables	<u>4,446</u>	<u>(1,664)</u>
<b>Cash generated from operation</b>	1,233	3,138
Interest paid	(2,223)	(1,710)
Taxes paid / refunded	<u>(1,505)</u>	<u>(864)</u>
<b>Net cash flows from / (used in) operating activities</b>	<u>(2,495)</u>	<u>564</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(10,113)	(5,343)
Increase in land use right	(1,386)	(1,536)
Proceeds from disposal of property, plant and equipment	258	300
Interest received	57	30
Decrease / (Increase) in deposit with a licensed bank	<u>500</u>	<u>(3)</u>
<b>Net cash flows used in investing activities</b>	<u>(10,684)</u>	<u>(6,552)</u>
<b>Financing activities</b>		
Drawdown of term loan	1,500	-
Drawdown of hire purchase	890	-
Repayment of term loan	(430)	(350)
Repayment of hire purchase	(231)	(370)
Increase in short term borrowings	22,138	17,695
Dividend paid on ordinary shares	-	-
Dividend paid to non-controlling interests	<u>(68)</u>	<u>(68)</u>
<b>Net cash flows generated from financing activities</b>	<u>23,799</u>	<u>16,907</u>
<b>Net increase in cash and cash equivalents</b>	10,620	10,919
Effect of exchange rate changes on cash & cash equivalents	(19)	
<b>Cash and cash equivalents at 1 January</b>	<b>14</b>	<u>6,407</u>
<b>Cash and cash equivalents at 30 September</b>	<b>14</b>	<u>17,008</u>
		<u>2,850</u>
		<u>13,769</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**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEP 2017**

	<----- Attributable to owners of the parent ----->						
	< ----- Share capital RM'000	Non Distributable 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 2017	75,251	11,156	(541)	56,848	142,714	1,059	143,773
Dividend paid to non-controlling interest	-	-	-	-	-	(68)	(68)
Dividend (Note 19)	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	10,621	10,621	276	10,897
As at 30 Sep 2017	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>67,469</u>	<u>153,335</u>	<u>1,267</u>	<u>154,602</u>
As at 1 Jan 2016	75,251	11,156	(541)	51,303	137,169	1,046	138,215
Dividend paid to non-controlling interest	-	-	-	-	-	(68)	(68)
Dividend (Note 19)	-	-	-	(2,225)	(2,225)	-	(2,225)
Total comprehensive income for the period	-	-	-	6,433	6,433	65	6,498
As at 30 Sep 2016	<u>75,251</u>	<u>11,156</u>	<u>(541)</u>	<u>55,511</u>	<u>141,377</u>	<u>1,043</u>	<u>142,420</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 13 November 2017.

**2 BASIS OF PREPARATION**

These condensed consolidated interim financial statements, for the year ended 30 September 2017, 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 2016 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 2016.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016, except for the adoption of the following Malaysian Financial Reporting Standards ("MFRSs") which became effective for annual periods beginning on 1 January 2017.

Annual Improvements to MFRSs 2014 - 2016 Cycle  
 MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)  
 MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)

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.

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	01-Jan-18
MFRS 15 Revenue from Contracts with Customers	01-Jan-18
MFRS 9 Financial Instruments	01-Jan-18
MFRS 140 Transfer of Investment Property (Amendments to MFRS 140)	01-Jan-18
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	01-Jan-18
MFRS 16 Leases	01-Jan-19
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-Sep	30-Sep	30-Sep	30-Sep	30-Sep	30-Sep	30-Sep	30-Sep	30-Sep	30-Sep
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	252,378	209,651	2,933	2,645	19,217	17,889	(34,605)	(29,701)	239,923	200,484
<b>Profit</b>	11,264	7,748	2,514	2,343	9	(376)	(3,166)	(2,673)	10,621	7,042
<b>Assets</b>	255,329	226,594	103,975	99,132	22,604	18,667	(114,561)	(113,249)	267,347	231,144
<b>Liabilities</b>	112,476	92,382	585	2,255	12,603	12,496	(12,919)	(18,409)	112,745	88,724

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 management and treasury functions and transportation service.

There had been no material change in total assets and no differences in the basis of segmentation but there is significant increase of revenue and profit in the corrugated board and carton segment as compared to the last annual financial statement.

Performance review for financial period to-date

Corrugated board and carton segment :

The revenue increased by 20.38% from RM209,651 million to RM252,378 million which was mainly due to higher sales volume and higher unit selling price.

In line with the increase in revenue, the profit after tax increased from RM7.748 million to RM11.264 million, representing a profit growth of 45.38%.

Paper stationery products segment :

The revenue increased slightly by 7.42% from RM17.889 million to RM19.217 million.

In line with the increase in revenue, the segment registered a profit after tax of RM9,000 as compared to a loss of 376,000 registered in the last corresponding period.

**7 SEASONALITY OF OPERATIONS**

The business operations for the financial period to-date were not affected by seasonal or cyclical factors.

**8 PROFIT BEFORE TAX**

	Current quarter		Cumulative quarter	
	3 Months Ended 30 Sep		9 Months Ended 30 Sep	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant & equipment	3,246	3,128	9,528	9,171
Amortisation of land use right	32	32	97	97
Reversal of impairment loss on trade receivable	-	(399)	-	(699)
Gain on disposal of property, plant and equipment	34	(8)	(149)	(10)
Property, plant & equipment written off	-	-	2	-
(Gain) / loss on foreign exchange - realised	(88)	(49)	(549)	299
Loss on foreign exchange - unrealised	(22)	-	19	-
Loss / (Gain) on fair value changes of derivatives	-	(8)	7	7

**9 INCOME TAX EXPENSE**

	3 Months Ended 30 Sep		9 Months Ended 30 Sep	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax	(793)	(277)	(1,870)	(1,191)
Deferred tax	(680)	(90)	(1,060)	(308)
	(1,473)	(367)	(2,930)	(1,499)

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.

**10 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		Cumulative quarter	
	3 Months Ended 30 Sep		9 Months Ended 30 Sep	
	2017	2016	2017	2016
	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)	3,523	3,278	10,621	6,433
Basic earnings per share (Sen)	4.75	4.42	14.32	8.68
Diluted earnings per share (Sen)	4.75	4.42	14.32	8.68

**11 PROPERTY, PLANT AND EQUIPMENT**

For the 9 months period ended 30 September 2017, assets with a carrying amount of RM109,113 (2016:RM657,318) were disposed off by the Group resulting in a net gain on disposal of RM148,575 (2016:gain of RM9,555), recognised and included in the statement of comprehensive income.

**12 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 2016.

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

**13 INVENTORIES**

During the period ended 30 September 2017, there were no write-down of inventories.



**14 CASH AND BANK BALANCES**

Cash and cash equivalents comprised the following amounts:

	<b>30-Sep 2017 RM'000</b>	<b>31-Dec 2016 RM'000</b>
<u>Condensed consolidated statement of financial position:</u>		
Cash at bank and in hand	17,535	8,620
Short term deposits with licensed banks	3,847	4,347
Cash and bank balances	<u>21,382</u>	<u>12,967</u>
<u>Condensed consolidated statement of cash flows:</u>		
Cash at bank and in hand	17,535	8,620
Bank overdrafts	(527)	(2,213)
Total cash and cash equivalents	<u>17,008</u>	<u>6,407</u>

**15 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 September 2017, the Group held the following financial liabilities that are measured at fair value.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Assets measured at fair value:			
Derivative liabilities	-	0.4	-

16 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	30-Sep 2017 RM'000	31-Dec 2016 RM'000
<u>Share capital</u>		
Balance as at 1 Jan 2017/ 2016	75,251	75,251
Transfer from share premium accounts	11,156	-
Balance as at 30 Sep 2017/ 31 Dec 2016	86,407	75,251

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 September 2017.

17 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-Sep 2017 RM'000	Weighted Average Interest Rate	30-Sep 2016 RM'000	Weighted Average Interest Rate	31-Dec 2016 RM'000
<b>Short term borrowing (secured)</b>							
Bank overdrafts (floating)		100%	528	7.88%	808	7.83%	2,213
Trade bills (floating)		100%	67,705	4.09%	49,599	4.09%	45,567
Hire purchase payables (fixed)	100%		264	3.35%	285	3.41%	201
Term loans (floating)		100%	474	6.13%	409	7.56%	362
			68,971		51,101		48,343
<b>Long term borrowing (secured)</b>							
Hire purchase payables (fixed)	100%		683		56		87
Term loans (floating)		100%	1,239		329		281
			1,922		385		368
<b>Total borrowing</b>			70,893		51,486		48,711

None of the above borrowings are dominated in foreign currencies.

The significant increase of usage of trade bills was mainly due to higher purchases of raw material to support the increase in sales volume.

There were drawdown of term loans amounting to RM1.5 million in the second quarter for capital expenditure.

There were drawdown of hire purchases amounting to RM0.89 million in the second quarter to finance the purchase of property, plant and equipment.

**18 PROVISIONS FOR COST OF RESTRUCTURING**

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

**19 DIVIDENDS**

The Board of Directors declares an interim single tier dividend of 2.5 sen per ordinary share in respect of the financial year ending 31 December 2017.

**20 CAPITAL COMMITMENTS**

	<b>30-Sep 2017</b>	<b>31-Dec 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Approved and contracted for:		
Purchase of property, plant & equipment	4,760	481

**21 CONTINGENCIES**

There were no contingent assets or liabilities existing at end of the reporting period.

**22 RELATED PARTY TRANSACTIONS**

The following table shows the transactions which had been entered into with related parties during the year ended 30 September 2017 and 31 December 2016 as well as the balances with the related parties as at 30 September 2017 and 31 December 2016:

	<b>Transactions with related parties</b>		<b>Amounts owed by related parties</b>		<b>Amounts due to related parties</b>	
	<b>9 months ended</b>		<b>As At</b>		<b>As At</b>	
	<b>30-Sep 2017</b>	<b>30-Sep 2016</b>	<b>30-Sep 2017</b>	<b>31-Dec 2016</b>	<b>30-Sep 2017</b>	<b>31-Dec 2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Sales of carton boxes &amp; stationery products #</b>						
Perfect Food Manufacturing (M) Sdn. Bhd. *	5,983	5,696	3,228	2,548	-	-
Greatbrand Food Industries Sdn. Bhd. *	2,268	1,926	808	696	-	-
STH Wire Industry (M) Sdn. Bhd. @	76	40	25	12	-	-
<b>Purchase of raw material #</b>						
STH Wire Industry (M) Sdn. Bhd.	390	347	-	-	80	42
<b>Factory rental</b>						
Perfect Food Manufacturing (M) Sdn. Bhd.	-	60	-	-	-	-

\* 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.

23 EVENTS AFTER THE REPORTING PERIOD

There were no material events subsequent to the end of interim financial period.

24 PERFORMANCE REVIEW

a) Financial review for current quarter and financial year to date

	3 Months ended			9 Months ended		
	30-Sep	30-Sep	Changes	30-Sep	30-Sep	Changes
	2017	2016		2017	2016	
	RM'000	RM'000	(%)	RM'000	RM'000	(%)
Revenue	86,745	65,961	31.51%	239,923	200,483	19.67%
Operating Profit	15,873	12,795	24.06%	45,058	35,601	26.56%
Profit Before Interest and Tax	5,911	4,260	38.76%	15,993	9,672	65.35%
Profit before tax	5,076	3,660	38.69%	13,827	7,997	72.90%
Profit After tax	3,603	3,293	9.41%	10,897	6,498	67.70%
<b>Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent</b>	<b>3,523</b>	<b>3,278</b>	<b>7.47%</b>	<b>10,621</b>	<b>6,433</b>	<b>65.10%</b>

The Group recorded revenue growth of 31.51% to RM86.75 million compared to RM65.96 million recorded in the corresponding quarter due to higher sale orders received and higher average selling price. The sales volume and average selling price for corrugated cartons and boards has increased by 15.63% and 13.74% respectively compared to the corresponding quarter.

In line with the increase in revenue, profit before tax increased from RM3.66 million in the corresponding quarter to RM5.08 million in the current quarter.

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

	30-Sep	30-Jun	Changes
	2017	2017	
	RM'000	RM'000	(%)
Revenue	86,745	81,655	6.23%
Operating Profit	15,873	15,817	0.35%
Profit Before Interest and Tax	5,911	5,989	-1.30%
Profit before tax	5,076	5,301	-4.24%
Profit After tax	3,603	4,403	-18.17%
<b>Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent</b>	<b>3,523</b>	<b>4,310</b>	<b>-18.26%</b>

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 recent upward trend of raw material costs has resulted in increase of production cost.

The Group recorded revenue growth of 6.23% to RM86.75 million compared to RM81.66 million recorded in the preceding quarter due to higher sale orders received and higher average selling price. The sales volume and average selling price for corrugated cartons and boards has increased by 2.92% and 3.22% respectively compared to the preceding quarter.

Despite the increase in revenue, profit before tax reduced from RM 5.30 million to RM 5.08 million. The decrease in profit was mainly due to higher cost of raw material & production cost. The average cost of raw material has increased by 8.41% compared to preceding quarter.

**25 COMMENTARY ON PROSPECTS**

The Group maintains a cautiously positive outlook for the remaining quarter. The Group will continue to strengthen our market position and customer base and emphasis on productivity and efficiency to mitigate the impact of increasing 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 for the year.

**26 COMMENTARY ON PROGRESS TO ACHIEVE REVENUE OR PROFIT ESTIMATE, FORECAST, PROJECTION OR INTERNAL TARGETS**

Not applicable

**27 STATEMENT BY DIRECTORS ON ACHIEVABILITY OF REVENUE OR PROFIT ESTIMATE, FORCAST, PROJECTION OR INTERNAL TARGET**

Not applicable

**28 VARIANCE FROM PROFIT FORECAST OR PROFIT GUARANTEE**

Not applicable

**29 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).

**30 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 MENTION on 24/11/2017. 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.

**31 DIVIDEND PAYABLE**

Refer to Note 19 for details.

**32 DISCLOSURE OF NATURE OF OUTSTANDING DERIVATIVES**

Type of Derivatives	Contract No.	Contract Value USD'000	Fair Value RM'000	Book Date	Expiry Date
<b>Bangkok Bank Berhad</b> Fixed forward contract - less than 1 year	FFCB160002F1	50	214	6.7.17	6.10.17

**33 RATIONALE FOR ENTERING INTO DERIVATIVES**

The Group had entered a fixed forward contract with Bangkok Bank Berhad where the details were stated in Note 32. The purpose is to hedge against unfavorable movement in foreign exchange rate in respect of the export sales proceeds.

**34 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.

**35 DISCLOSURE OF GAINS/LOSSES ARISING FROM FAIR VALUE CHANGES OF FINANCIAL LIABILITIES**

Contract no.:	FFCB160002F1
Rate contracted:	4.275600
Balances as at 30 Sep 2017 (In USD):	50,850
Rate as at 30 Sep 2017	4.283480
Loss on fair value changes of derivatives (In RM)	400.70

**36 BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES**

Total retained profits of Ornapaper Berhad and it's subsidiaries:

	<b>30-Sep-17</b>	<b>31-Dec-16</b>
	<b>RM'000</b>	<b>RM'000</b>
- Realised	120,377	105,471
- Unrealised	(9,264)	(8,145)
	<u>111,113</u>	<u>97,326</u>
Less : Consolidation adjustments	(43,644)	(40,478)
Total Group retained earnings as per consolidated accounts	<u>67,469</u>	<u>56,848</u>

**37 TRADE RECEIVABLES**

Trade receivables are non-interest bearing and are generally on 30 to 150 (2016: 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-Sep 2017	30-Sep 2016	30-Sep 2017	30-Sep 2016
	RM'000	RM'000	RM'000	RM'000
Neither past due not impaired	66,640	50,870	4,061	3,051
1 to 30 days past due not impaired	8,612	7,020	-	-
31 to 60 days past due not impaired	2,204	3,135	-	-
More than 61 days past due not impaired	1,358	1,680	-	-
Total past due not impaired	12,174	11,835	-	-
Impaired	92	92	-	-
	<u>78,906</u>	<u>62,797</u>	<u>4,061</u>	<u>3,051</u>

\* Note : The related parties are referring to Perfect Food Manufacturing (M) Sdn Bhd, Greatbrand food Industries 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 2016 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 13 November 2017.