



HENG HUAT RESOURCES GROUP BERHAD

(Company No. 969678-D)
(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2016

<u>CONTENTS</u>	<u>PAGE</u>
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	1
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	4 – 5
EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134	6 – 10
ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD	11 – 17



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
(UNAUDITED)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2016 ⁽¹⁾ RM'000	Preceding Year Corresponding Quarter 30.06.2015 RM'000	Current Year Period 30.06.2016 ⁽¹⁾ RM'000	Preceding Year Corresponding Period 30.06.2015 RM'000
Revenue	18,798	26,569	39,505	53,029
Cost of sales	(11,889)	(13,661)	(24,729)	(29,546)
Gross profit ("GP")	6,909	12,908	14,776	23,483
Other income	449	181	1,753	403
Selling and distribution expenses	(3,643)	(4,375)	(7,525)	(8,707)
Administrative and other expenses	(2,518)	(2,102)	(7,247)	(4,416)
Finance costs	(377)	(420)	(682)	(803)
Profit before taxation ("PBT")	820	6,192	1,075	9,960
Tax income/(expenses)	(48)	(231)	(3)	(480)
Profit after taxation ("PAT") / Total comprehensive income	772	5,961	1,072	9,480
Profit for the financial period/ Total comprehensive income attributable to:				
- Owners of Heng Huat	801	5,035	1,140	7,951
- Non-controlling interests	(29)	926	(68)	1,529
	772	5,961	1,072	9,480
Earnings per share attributable to owners of Heng Huat:				
- Basic (sen) ⁽²⁾	0.26	1.63 ^	0.37	2.58 ^
- Diluted (sen) ⁽²⁾	N/A	N/A	N/A	N/A

Remark:

^ The basic earnings per share for quarter and financial period ended 30 June 2015 have been adjusted to reflect the effects of bonus issue completed on 15 July 2015. This is in accordance with the requirements of MFRS 133, where earnings per share calculations for all periods shall be adjusted retrospectively.

N/A Not applicable.

Notes:

⁽¹⁾ The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

⁽²⁾ Kindly refer to **Note B9** for further details.

[THE REST OF THE PAGE HAS BEEN INTENTIONALLY LEFT BLANK]



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

	As at 30.06.2016 ⁽¹⁾ RM'000 (unaudited)	As at 31.12.2015 RM'000 (audited)
Non-Current Assets		
Property, plant and equipment	94,088	81,431
Intangible assets	1,562	961
	95,650	82,392
Current Assets		
Inventories	10,465	7,617
Trade and other receivables	24,710	31,791
Current tax assets	499	742
Cash and cash equivalents	7,055	10,469
	42,729	50,619
TOTAL ASSETS	138,379	133,011
Equity		
Share capital	30,870	30,870
Share premium	5,454	5,454
Reorganisation reserve	(5,185)	(5,185)
Retained earnings	45,792	44,652
	76,931	75,791
Non-controlling interests	4,687	5,255
Total Equity	81,618	81,046
Non-Current Liabilities		
Borrowings	21,163	13,942
Deferred tax liabilities	821	895
	21,984	14,837
Current Liabilities		
Trade and other payables	15,338	18,075
Derivative liability	70	108
Borrowings	19,369	18,945
	34,777	37,128
Total Liabilities	56,761	51,965
TOTAL EQUITY AND LIABILITIES	138,379	133,011
NET ASSETS PER SHARE (RM) ⁽²⁾	0.25	0.25

Notes:

⁽¹⁾ The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

⁽²⁾ Calculated based on the Company's existing issued and paid-up share capital of 308,700,045 ordinary shares of RM0.10 each ("Shares").



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

	[----- Non-Distributable -----]			Distributable	Total attributable to owners of the Company RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Reorganisation reserve RM'000	Retained earnings RM'000			
At 1 January 2016	30,870	5,454	(5,185)	44,652	75,791	5,255	81,046
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	(500)	(500)
Total comprehensive income for the financial period	-	-	-	1,140	1,140	(68)	1,072
At 30 June 2016	30,870	5,454	(5,185)	45,792	76,931	4,687	81,618
At 1 January 2015	20,580	15,863	(5,185)	36,880	68,138	4,594	72,732
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	(800)	(800)
Dividend paid to shareholders of the parent	-	-	-	(1,029)	(1,029)	-	(1,029)
Total comprehensive income for the financial period	-	-	-	7,951	7,951	1,529	9,480
At 30 June 2015	20,580	15,863	(5,185)	43,802	75,060	5,323	80,383

Note:

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

	Year-to-date ended	
	30.06.2016 RM'000	30.06.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,075	9,960
<u>Adjustments for:</u>		
Amortisation of intangible assets	128	175
Bad debt written-off	6	64
Provision of doubtful debt	12	-
Depreciation of property, plant and equipment	3,708	3,510
Fair value adjustment on derivative instruments	(38)	-
(Gain)/Loss on disposal of property, plant and equipment	(5)	47
Interest expense	682	803
Interest income	(25)	(77)
Reversal of impairment of receivables	(366)	-
Unrealised loss/(gain) on foreign exchange	1,567	(117)
	<hr/>	<hr/>
Operating profit before working capital changes	6,744	14,365
(Increase)/Decrease in inventories	(2,848)	74
Decrease/(Increase) in trade and other receivables	5,908	(8,522)
(Decrease)/Increase in trade and other payables	(2,737)	1,772
	<hr/>	<hr/>
Tax refund/(paid)	7,067	7,689
	166	(377)
	<hr/>	<hr/>
Net cash from operating activities	7,233	7,312
CASH FLOWS FROM INVESTING ACTIVITIES		
Development costs incurred	(729)	-
Interest received	25	77
Proceeds from disposal of property, plant and equipment	72	149
Purchase of property, plant and equipment	(13,356)	(4,537)
Changes in fixed deposits pledged with licensed banks	(29)	(17)
	<hr/>	<hr/>
Net cash used in investing activities	(14,017)	(4,328)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to non-controlling shareholders of a subsidiary	(500)	(800)
Dividend paid to shareholders of the parent	-	(1,029)
Interest paid	(682)	(803)
Net drawdown of bankers' acceptance	62	4,566
Net drawdown/(repayment) of term loans	6,443	(4,844)
Net repayment of hire purchase payables	(2,145)	(1,668)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	3,178	(4,578)
	<hr/>	<hr/>
Net changes in cash and cash equivalents	(3,606)	(1,594)
Effects of foreign exchange	(46)	65
Cash and cash equivalents at beginning of the financial period	4,660	15,213
	<hr/>	<hr/>
Cash and cash equivalents at end of the financial period	1,008	13,684



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
(UNAUDITED)

	Year-to-date ended	
	30.06.2016	30.06.2015
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	4,666	13,764
Fixed deposits pledged to financial institutions	2,389	2,228
	<hr/>	<hr/>
	7,055	15,992
Less: Bank overdraft	(3,658)	(80)
Less: Fixed deposits pledged to financial institutions	(2,389)	(2,228)
	<hr/>	<hr/>
	1,008	13,684
	<hr/> <hr/>	<hr/> <hr/>

Note:

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

[THE REST OF THE PAGE HAS BEEN INTENTIONALLY LEFT BLANK]



EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A1. BASIS OF PREPARATION

The condensed consolidated interim financial statements as contained in this interim financial report are unaudited and have been prepared under the historical cost convention except otherwise stated.

These unaudited interim financial statements have been prepared in accordance with the requirements of MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Part K, Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements (“ACE LR”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

These unaudited interim financial statements should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial report. The explanatory notes contained herein 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 financial year ended 31 December 2015.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied in the preparation of these unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2015, except for the adoption of the following MFRS and Amendments to MFRSs as disclosed below:

Effective for annual periods commencing on or after 1 January 2016

- Amendments to MFRSs (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101 Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
- Amendments to MFRS 127 Equity Method in Separate Financial Statements
- MFRS 14 Regulatory Deferral Accounts

The adoption of the above MFRS and Amendments to MFRSs did not have any significant financial impact to the Group.



A2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not early adopted by the Group:

Effective for annual periods commencing on or after 1 January 2017

- Amendments to MFRS 107 Disclosure Initiative
- Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods commencing on or after 1 January 2018

- MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)
- MFRS 15 Revenue from Contracts with Customers
- Clarifications to MFRS 15

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases

Deferred (date to be determined by MASB)

- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group is in the process of assessing the impact of implementing these accounting standards and amendments, since the effects would only be observable for the future financial years.

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the Group's most recent annual audited financial statements for the financial year ended 31 December 2015 were not subject to any qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATION

Save for oil palm empty fruit bunch ("EFB") fibre, the Group's biomass materials and value-added products are not significantly affected by seasonal/cyclical effects. Demand for the Group's oil palm EFB fibre generally experience a decline during the Chinese New Year season mainly due to slowdown in logistics services and business activities in China during this period as businesses are closed for holidays during the festive season.

The Group typically experience higher sales of mattresses and related products prior to major festive season such as Chinese New Year and Hari Raya in tandem with the expected increase in household spending for such items during such periods.



A5. UNUSUAL ITEMS

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial period under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial years that have a material impact on the current quarter and financial period under review.

A7. DEBTS AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter and financial period under review.

A8. DIVIDEND PAID/ DECLARED

The Board of Directors did not recommend any payment of dividend during the current quarter and financial period under review.

A9. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Summary of events that took place subsequent to the end of current quarter and financial period under review, the details of which have been announced to the Bursa Securities:

22 July 2016: Withdrawal of application in relation to the Proposed Transfer to Main Market Securities Berhad

2 August 2016: Resignation of Mr. Ng Boon Kang as Independent Non-Executive Director

2 August 2016: Appointment of Mr. Cheah Swi Chun as Independent Non-Executive Director. Mr. Cheah has also been appointed to serve as the chairman of the Board's Audit Committee and member of the Board's Nomination and Remuneration Committees.

Save for the above, there were no material events subsequent to the end of current quarter and financial period under review that have not been reflected in this interim financial report/ announced to the Bursa Securities.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

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

A11. CHANGES IN CONTINGENT LIABILITIES

There are no material contingent liabilities as at the date of this report.



A12. CAPITAL COMMITMENTS

The Group's capital commitments in respect of property, plant and equipment which were not provided for in the financial statements as at 30 June 2016 is as follows:

	As at 30.06.2016 RM'000
Property, plant and equipment	
Approved but not contracted for	5,033
Contracted but not provided for	12,225
	<u>17,258</u>

A13. SEGMENT INFORMATION

The Group, through its subsidiaries, are principally engaged in manufacturing and trading of biomass materials and manufacturing and trading of mattresses and related products. There is no change to the principal activities of the Group during the current quarter and financial period under review.

The Group has arrived at two (2) reportable segments that are organised and managed separately according to the nature of products, specific expertise and technologies requirements, which requires different business and marketing strategies. The reportable segments are summarised as follows:

- (i) Biomass materials and related products
 - Manufacturing and trading of coconut fibre and related products, and oil palm EFB fibre and related products.
- (ii) Mattresses and related products
 - Manufacturing and trading of mattresses and related products.



A13. SEGMENT INFORMATION (cont'd)

	Current quarter ended		Year-to-date ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
<u>Segment Revenue</u>				
Biomass materials and related products	13,714	21,814	28,442	41,695
Mattresses and related products	5,750	6,619	12,554	19,267
	19,464	28,433	40,996	60,962
Elimination of intragroup transactions	(666)	(1,864)	(1,491)	(7,933)
Revenue from external customers	18,798	26,569	39,505	53,029
<u>Segment Results</u>				
Biomass materials and related products	669	6,360	754	9,953
Mattresses and related products	94	42	259	325
	763	6,402	1,013	10,278
Unallocated corporate income and expenses (net)	(203)	(309)	(273)	(535)
Elimination of intragroup transactions and profits	260	99	335	217
Profit before tax of the Group	820	6,192	1,075	9,960
<u>Segment Assets</u>				
Biomass materials and related products	118,368	100,346	118,368	100,346
Mattresses and related products	19,605	16,950	19,605	16,950
	137,973	117,296	137,973	117,296
Tax assets	499	427	499	427
Unallocated assets	34,753	25,555	34,753	25,555
Elimination of intragroup balances and profits	(34,846)	(18,529)	(34,846)	(18,529)
Total assets of the Group	138,379	124,749	138,379	124,749
<u>Segment Liabilities</u>				
Biomass materials and related products	62,830	44,340	62,830	44,340
Mattresses and related products	16,510	13,730	16,510	13,730
	79,340	58,070	79,340	58,070
Tax liabilities	821	771	821	771
Unallocated liabilities	11,486	4,095	11,486	4,095
Elimination of intragroup balances and profits	(34,886)	(18,570)	(34,886)	(18,570)
Total liabilities of the Group	56,761	44,366	56,761	44,366



**ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING
REQUIREMENTS OF BURSA SECURITIES**

B1. ANALYSIS OF PERFORMANCE

Revenue

The Group's revenue for the current quarter and financial period ended 30 June 2016 stood at approximately RM18.80 million (Quarter 2, 2015: RM26.57 million) and RM39.51 million (First Half, 2015: RM53.03 million) respectively, representing a decrease of approximately 29.24% or RM7.77 million and 25.50% or RM13.52 million respectively as compared to preceding year corresponding quarter and period.

The moderation of sales performance during the current quarter and financial period under review was primarily due to the following factors:

- i. Lower sales of oil palm EFB fibre to China market, as the demand is on gradual recovery after the market sentiment within the China's operating environment was weighed down by the economic uncertainties during the second half of 2015, and in line with the Group's initiative to mitigate the credit risk exposure by lowering the sales to one of the China intermediaries pending the settlement of its outstanding balance exceeding credit period; and

Remark:

The outstanding balance exceeding credit period owing by the said China customer has been fully collected during the financial period under review;

- ii. Decrease in average selling prices of oil palm EFB fibre, in order to strengthen the Group's market competitiveness, in view of the prevailing economic uncertainties.

Profit After Tax

The Group's profit after tax for the current quarter and financial period ended 30 June 2016 stood at approximately RM0.77 million (Quarter 2, 2015: RM5.96 million) and RM1.07 million (First Half, 2015: RM9.48 million) respectively, representing a decrease of RM5.19 million or 87.08% and RM8.41 million or 88.71% respectively as compared to preceding year corresponding quarter and period.

The moderation of the profit performance during the current quarter and financial period under review was primarily due to lower gross profit recorded in line with the decrease in sales as explained above.



B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current quarter ended 30.06.2016	Preceding quarter ended 31.03.2016
	RM'000	RM'000
Profit before taxation ("PBT")	820	255

The Group reported PBT of approximately RM0.82 million for the current quarter under review, representing an improvement of RM0.56 million or 221.57% as compared to PBT of RM0.26 million in the preceding quarter ended 31 March 2016.

This was primarily due to favourable foreign exchange position during the current quarter under review whereby the Group recorded net foreign exchange gain of approximately RM0.30 million in line with the strengthening of US Dollar, representing an improvement of approximately RM1.83 million as compared to net foreign exchange loss of approximately RM1.53 million recorded in the preceding quarter ended 31 March 2016.

This was, however, partially offset by the decrease in gross profit by approximately RM0.96 million or 12.20% to RM6.91 million during the current quarter under review from RM7.87 million in the preceding quarter ended 31 March 2016, in line with the lower sales recorded during the current quarter under review. Lower sales reported during the current quarter under review was primarily due to lower average selling price recorded for export of oil palm EFB fibre to China as a result of higher proportion of sales to shorter distance destination ports.

B3. PROSPECTS

Our Group remain cautiously optimistic that the orders for oil palm EFB fibre from China will continue to be stable backed by the rising population in China and increasing demand for raw material alternatives that are cheaper, natural and environmentally-friendly.

Upon completion of our new production factory at Gua Musang, our Group will have an increased capacity that enables us to tap into new customer segments as well as expand our market coverage in China. The new production factory is currently under construction and is targeted to be completed by the fourth quarter of 2016.

Barring any unforeseen circumstances and adverse external economic factors, the Board of Directors is of the view that the Group's financial performance for the financial year ending 31 December 2016 will remain promising.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as no profit forecast or profit guarantee has been previously published or issued by the Group.



B5. TAX EXPENSE

	Current quarter ended 30.06.2016 RM'000	Year-to-date ended 30.06.2016 RM'000
Current tax expense	(35)	(77)
Deferred tax income	(13)	74
Total tax income	<u>(48)</u>	<u>(3)</u>
Effective tax rate	<u>- 5.85%</u>	<u>- 0.28%</u>

The Group's effective tax rate for the current quarter and financial period under review stood at 5.85% and 0.28% respectively.

The prevailing statutory tax rate applicable to the Group is 24%. Generally, the Group's effective tax rate will be lower than the applicable statutory tax rate as the Group's operating subsidiaries (namely HK Kitaran Sdn Bhd, HK Fibre Sdn Bhd and HK Palm Fibre Manufacturer Sdn Bhd) were granted pioneer status tax exemption on their products (namely coconut fibre sheet, oil palm EFB fibre and briquette).

B6. STATUS OF CORPORATE PROPOSALS

(i) *Proposed Transfer of Listing and Amendments to Articles of Association*

On 11 May 2015, on behalf of the Board, Kenanga Investment Bank Berhad ("**KIBB**") announced that the Company proposed to undertake the following:

- (i) Proposed bonus issue of 102,900,015 new ordinary shares of RM0.10 each in Heng Huat ("Shares") to be credited as fully paid-up on the basis of one (1) new Share for every two (2) existing Shares held on an entitlement date to be determined later ("**Proposed Bonus Issue**");
- (ii) Proposed transfer of the listing of and quotation for the entire issued and paid-up share capital of Heng Huat from the ACE Market to the Main Market of Bursa Securities ("**Proposed Transfer**"); and
- (iii) Proposed amendments to the Articles of Association of the Company ("**Proposed Amendments**").

The Proposed Bonus Issue has been completed on 15 July 2015, following the listing of and quotation for the 102,900,015 new Shares issued and allotted to the shareholders of the Company on the ACE market of Bursa Securities.

The Proposed Transfer and the Proposed Amendments are inter-conditional upon each other.

On 2 September 2015, on behalf of the Board, KIBB announced that the application in relation to the Proposed Transfer has been submitted to the Securities Commission Malaysia ("**SC**").



B6. STATUS OF CORPORATE PROPOSALS (cont'd)

(i) *Proposed Transfer of Listing and Amendments to Articles of Association (cont'd)*

On 22 July 2016, after due and careful consideration, the Company has decided to withdraw its application in relation to the Proposed Transfer. Such decision was made after taking into consideration the advice of KIBB as the Principal Adviser that the current economic environment domestically as well as regionally is deemed as not the best time for the Company to continue with the Proposed Transfer. The Company intends to relook on the Proposed Transfer in the future.

Relevant details has been announced to the Bursa Securities on the same date.

(ii) *Acquisition of biomass co-generation power plant*

On 22 June 2015, the Company had announced that HK Power Sdn Bhd, a wholly-owned subsidiary of the Company, had entered into a contract with Advance Boilers Sdn Bhd for the design, supply, delivery to site, installation and commissioning of one (1) unit of 1,077 electrical kilowatts (eKW) biomass co-generation power plant ("Power Plant") for a cash consideration of RM8,810,000 ("**Proposed Acquisition of Power Plant**").

Relevant details on the Proposed Acquisition of Power Plant has been announced to Bursa Securities on the same date.

Barring any unforeseen circumstances and subject to obtaining of the requisite approvals from the relevant authorities, the Proposed Acquisition of the Power Plant and its construction is expected to be completed by the third quarter of 2016.

Save as disclosed above, there are no other corporate proposals announced but not completed as at the date of this announcement.

B7. BORROWINGS

The Group's borrowings as at 30 June 2016 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
<i>Secured and guaranteed</i>			
Bankers' acceptance	10,180	-	10,180
Bank overdrafts	3,658	-	3,658
Hire purchase payables	3,727	4,419	8,146
Term loans	1,804	16,744	18,548
Total Borrowings	19,369	21,163	40,532

All the borrowings are denominated in Ringgit Malaysia (RM).



B8. CHANGES IN MATERIAL LITIGATION

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board of Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

B9. EARNINGS PER SHARE

Basic Earnings per Share ("BEPS")

	Current quarter ended		Year-to-date ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Basic earnings per share				
Profit attributable to equity holders of the parent	801	5,035	1,140	7,951
Weighted average number of ordinary shares in issue ('000)	308,700	308,700	308,700	308,700
	sen	sen	sen	sen
BEPS	0.26	1.63	0.37	2.58

Diluted Earnings per Share ("DEPS")

No diluted earnings per share is disclosed as the Company does not have any dilutive potential ordinary shares (such as options or convertible instruments) in issue as at 30 June 2016.

B10. DISCLOSURE ON REALISED AND UNREALISED PROFIT/LOSS

The retained earnings of the Group as at 30 June 2016 are analysed as follows:

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
The retained earnings of the Company and its subsidiaries:		
- Realised	57,709	54,838
- Unrealised	(2,458)	(159)
	55,251	54,679
Add: Consolidation adjustments	(9,459)	(10,027)
Total Group retained earnings as per consolidated financial statements	45,792	44,652



B11. DISCLOSURE ON SELECTED INCOME/EXPENSE ITEMS

Included in profit before tax comprised the following income/(expense) items:

	Current quarter ended 30.06.2016 RM'000	Year-to-date ended 30.06.2016 RM'000
Interest income	12	25
Other income including investment income	128	283
Interest expense	(377)	(682)
Depreciation expenses	(1,899)	(3,708)
Amortisation expenses	(64)	(128)
Net foreign exchange gain/(loss)	300	(1,229)
Gain on disposal of property, plant and equipment	5	5
Fair value (loss)/gain on derivative instruments	(98)	38
Reversal of impairment of receivables	35	366
Provision for and write off of receivables	(18)	(18)
Property, plant and equipment written off	-	-
Provision for and write off of inventories	-	-
Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-
Exceptional items	-	-

[THE REST OF THE PAGE HAS BEEN INTENTIONALLY LEFT BLANK]



B12. FINANCIAL INSTRUMENTS

Derivatives

The Group have entered into forward foreign currency contracts to operationally hedge forecast sales collection denominated in foreign currency that are expected to occur at various dates within the next (12) months from the end of the reporting period. As at 30 June 2016, the Group have the following outstanding forward currency contracts:

Maturity Period	[----- Contract Value -----]		Fair value
	USD'000	RM'000 equivalent	as at 30 June 2016 RM'000
- By July 2016	100	393	382
- By October 2016	200	782	753
- By November 2016	100	397	388
- By April 2017	100	391	372
- By May 2017	360	1,465	1,454
- By June 2017	150	625	634
	1,010	4,053	3,983

The fair value of a forward foreign currency contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

The difference between the forward rates entered into, and the market rates, is recognised as derivatives liability or asset as applicable with a corresponding amount reported in the profit or loss.

Gains / (Losses) arising from Fair Value Changes of Financial Liabilities

The Group recorded net fair value loss of approximately RM70,000 arising from fair value changes of the forward foreign currency contracts entered into by the Group and outstanding as at 30 June 2016.

There is no change to the policies in relation to the derivatives since the last financial year ended 31 December 2015.