



HENG HUAT RESOURCES GROUP BERHAD

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

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31.03.2017 ⁽¹⁾ RM'000	Preceding Year Corresponding Quarter 31.03.2016 RM'000	Current Year Period 31.03.2017 ⁽¹⁾ RM'000	Preceding Year Corresponding Period 31.03.2016 RM'000
Revenue	27,547	20,707	27,547	20,707
Cost of sales	(18,117)	(12,840)	(18,117)	(12,840)
Gross profit ("GP")	9,430	7,867	9,430	7,867
Other income	1,195	1,304	1,195	1,304
Selling and distribution expenses	(5,546)	(3,882)	(5,546)	(3,882)
Administrative and other expenses	(3,763)	(4,729)	(3,763)	(4,729)
Finance costs	(754)	(305)	(754)	(305)
Profit before tax	562	255	562	255
Tax expenses	(116)	45	(116)	45
Profit after tax / Total comprehensive income	446	300	446	300
Profit for the financial period/ Total comprehensive income attributable to:				
- Owners of Heng Huat	491	339	491	339
- Non-controlling interests	(45)	(39)	(45)	(39)
	446	300	446	300
Earnings per share attributable to owners of Heng Huat:				
- Basic (sen) ⁽²⁾	0.16	0.11	0.16	0.11
- Diluted (sen) ⁽²⁾	N/A	N/A	N/A	N/A

Notes:

N/A Not applicable.

⁽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 2016 and the accompanying explanatory notes attached to this interim financial report.

⁽²⁾ Kindly refer to **Note B8** for further details.

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

	As at 31.03.2017 ⁽¹⁾ RM'000 (unaudited)	As at 31.12.2016 RM'000 (audited)
Non-Current Assets		
Property, plant and equipment	109,861	105,373
Intangible assets	5,153	5,457
	115,014	110,830
Current Assets		
Inventories	8,506	7,415
Trade and other receivables	31,842	29,288
Current tax assets	348	381
Cash and cash equivalents	7,800	11,397
	48,496	48,481
TOTAL ASSETS	163,510	159,311
Equity		
Share capital	30,870	30,870
Share premium	5,454	5,454
Reorganisation reserve	(5,185)	(5,185)
Retained earnings	45,188	44,697
	76,327	75,836
Non-controlling interests	3,662	3,707
Total Equity	79,989	79,543
Non-Current Liabilities		
Borrowings	24,656	25,516
Deferred tax liabilities	771	732
	25,427	26,248
Current Liabilities		
Trade and other payables	27,101	22,682
Derivative liability	229	522
Current tax liabilities	196	123
Borrowings	30,568	30,193
	58,094	53,520
Total Liabilities	83,521	79,768
TOTAL EQUITY AND LIABILITIES	163,510	159,311
NET ASSETS PER SHARE (RM) ⁽²⁾	0.247	0.246

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 2016 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 ("Shares").



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

	[----- Non-Distributable -----]			Distributable	Total attributable to owners of the Company	Non- controlling interests	Total equity
	Share capital RM'000	Share premium RM'000	Reorganisation reserve RM'000	Retained earnings RM'000	RM'000	RM'000	RM'000
At 1 January 2017	30,870	5,454	(5,185)	44,697	75,836	3,707	79,543
Total comprehensive income for the financial period	-	-	-	491	491	(45)	446
At 31 March 2017	30,870	5,454	(5,185)	45,188	76,327	3,662	79,989
At 1 January 2016	30,870	5,454	(5,185)	44,652	75,791	5,255	81,046
Total comprehensive income for the financial period	-	-	-	339	339	(39)	300
At 31 March 2016	30,870	5,454	(5,185)	44,991	76,130	5,216	81,346

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 2016 and the accompanying explanatory notes attached to this interim financial report.



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

	Year-to-date ended	
	31.03.2017 RM'000	31.03.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	562	255
<u>Adjustments for:</u>		
Amortisation of intangible assets	300	64
Bad debt written-off	73	-
Depreciation of property, plant and equipment	2,606	1,809
Fair value adjustment on derivative instruments	(293)	(136)
(Gain)/Loss on disposal of property, plant and equipment	(170)	*
Interest expense	754	305
Interest income	(18)	(13)
Reversal of development costs	4	-
Reversal of impairment of receivables	(88)	(331)
Unrealised loss on foreign exchange	778	2,155
	<hr/>	<hr/>
Operating profit before working capital changes	4,508	4,108
Increase in inventories	(1,091)	(750)
(Increase)/Decrease in trade and other receivables	(3,317)	3,605
Increase/(Decrease) in trade and other payables	4,419	(2,808)
	<hr/>	<hr/>
	4,519	4,155
Tax refund	29	327
	<hr/>	<hr/>
Net cash from operating activities	4,548	4,482
CASH FLOWS FROM INVESTING ACTIVITIES		
Development costs incurred	-	(399)
Interest received	18	13
Proceeds from disposal of property, plant and equipment	356	39
Purchase of property, plant and equipment	(6,080)	(4,427)
Changes in fixed deposits pledged with licensed banks	101	(27)
	<hr/>	<hr/>
Net cash used in investing activities	(5,605)	(4,801)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(754)	(305)
Net drawdown/(repayment) of bankers' acceptance	118	(1,587)
Net drawdown/(repayment) of term loans	(1,020)	3,145
Net repayment of hire purchase payables	(1,120)	(1,458)
	<hr/>	<hr/>
Net cash used in financing activities	(2,776)	(205)
	<hr/>	<hr/>
Net changes in cash and cash equivalents	(3,833)	(524)
Effects of foreign exchange	*	(56)
Cash and cash equivalents at beginning of the financial period	2,434	4,660
	<hr/>	<hr/>
Cash and cash equivalents at end of the financial period	(1,399)	4,080

Remark

* Less than RM1,000



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

	Year-to-date ended	
	31.03.2017 RM'000	31.03.2016 RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	5,351	8,096
Fixed deposits pledged to financial institutions	2,449	2,387
	7,800	10,483
Less: Bank overdraft	(6,750)	(4,016)
Less: Fixed deposits pledged to financial institutions	(2,449)	(2,387)
	(1,399)	4,080

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 2016 and the accompanying explanatory notes attached to this interim financial report.

Commentary

The negative balance of cash and cash equivalents at end of the financial period is primarily due to increase in cash outlays for additions of property, plant and equipment in conjunction with the construction of the Group's new production factory at Gua Musang ("Gua Musang Expansion"), a significant portion of which was funded by internally-generated funds. The prevailing negative net cash position is temporary as the Gua Musang Expansion has been completed during the current quarter under review and cash outlays on capital expenditure in the foreseeable future will reduce in line with that.

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**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 2016 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 2016.

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 2016, 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 2017

- Amendments to MFRS 12 (*Annual Improvements to MFRS Standards 2014 – 2016 Cycle*)
- Amendments to MFRS 107 *Disclosure Initiative*
- Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*

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 2018

- Amendments to MFRS 1 (*Annual Improvements to MFRS Standards 2014 – 2016 Cycle*)
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*
- MFRS 15 *Revenue from Contracts with Customers*
- Clarifications to MFRS 15
- Amendments to MFRS 128 (*Annual Improvements to MFRS Standards 2014 – 2016 Cycle*)
- Amendments to MFRS 140 *Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* *** [See MFRS 4 Paragraphs 46 and 48 for the effective date] ***

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 2016 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. (*FPE 31 March 2016: Nil*)

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

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 31 March 2017 is as follows:

	As at 31.03.2017 RM'000
Property, plant and equipment	
Approved but not contracted for	-
Contracted but not provided for	1,868
	<hr/>
	<u>1,868</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	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
Biomass materials and related products	24,197	14,728	24,197	14,728
Mattresses and related products	5,540	6,804	5,540	6,804
	29,737	21,532	29,737	21,532
Elimination of intragroup transactions	(2,190)	(825)	(2,190)	(825)
Revenue from external customers	27,547	20,707	27,547	20,707
<u>Segment Results</u>				
Biomass materials and related products	859	85	859	85
Mattresses and related products	(50)	165	(50)	165
	809	250	809	250
Unallocated corporate income and expenses (net)	(247)	(70)	(247)	(70)
Elimination of intragroup transactions and profits	-	75	-	75
Profit before tax of the Group	562	255	562	255
<u>Segment Assets</u>				
Biomass materials and related products	161,206	116,062	161,206	116,062
Mattresses and related products	16,525	20,069	16,525	20,069
	177,731	136,131	177,731	136,131
Tax assets	348	373	348	373
Unallocated assets	27,642	31,852	27,642	31,852
Elimination of intragroup balances and profits	(42,211)	(34,305)	(42,211)	(34,305)
Total assets of the Group	163,510	134,051	163,510	134,051
<u>Segment Liabilities</u>				
Biomass materials and related products	103,618	60,064	103,618	60,064
Mattresses and related products	13,743	17,038	13,743	17,038
	117,361	77,102	117,361	77,102
Tax liabilities	967	808	967	808
Unallocated liabilities	7,172	9,140	7,172	9,140
Elimination of intragroup balances and profits	(41,979)	(34,345)	(41,979)	(34,345)
Total liabilities of the Group	83,521	52,705	83,521	52,705



A14. RELATED PARTY TRANSACTIONS

	Current quarter ended		Year-to-date ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
Purchase of oil palm EFB	103	99	103	99
Renting of a single storey office annexed with a single storey detached factory used for oil palm EFB fibre manufacturing	18	18	18	18
Renting of two storey office with single storey detached factory used for mattress production and warehouse	78	78	78	78
Renting of vacant land for placement of portable cabins used for staff accommodation	30	30	30	30

The above transactions are necessary for the Group's day-to-day operations and are undertaken in the ordinary course of business. The above transactions are carried out on terms not more favourable to the related parties than those generally available to the public, which are not to the detriment of the non-controlling shareholders of the Group.



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

B1. ANALYSIS OF PERFORMANCE

Revenue

Our Group recorded total revenue of RM27.55 million for the current quarter and financial period ended 31 March 2017, representing an improvement of RM6.84 million or 33.03% as compared to the revenue of RM20.71 million registered in the preceding year corresponding quarter and period.

The improved sales performance was primarily attributable to the following factors:

- (i) Increase in sales volume of oil palm EFB fibre, where total quantities sold during the current quarter and financial period under review rose to approximately 22,000 metric tonnes, representing an improvement of 38.93% as compared to preceding year corresponding quarter and period. The increase was in line with the gradual recovery of market demand from China and enhanced production capacity following the commencement of our Group's new production plant at Gua Musang;
- (ii) Increase in average selling prices of oil palm EFB fibre during the current quarter and financial period review, which has improved by approximately 21.77% as compared to the preceding year corresponding quarter and period; and
- (iii) Additional revenue contribution of approximately RM1.79 million from sales of bio-oil, a secondary product derived from the manufacturing process of oil palm EFB fibre.

Profit Level

Our Group profit before tax for the current quarter and financial period ended 31 March 2017 stood at approximately RM0.56 million, doubled as compared to profit before tax of RM0.26 million recorded in the preceding year corresponding quarter and period. This was mainly attributable to the following:

- (i) Improved sales performance and gross profit during the current quarter and financial period review; and
- (ii) Decrease in administrative and other expenses as a result of lower foreign exchange losses.

The positive contribution from the above was, however, partially offset by the increase in selling and distribution expenses as a result of higher transportation costs; which was primarily due to an overall hike in the rate imposed by the logistics providers and higher quantities of oil palm EFB fibre exported.

In line with the improved profit before tax, our Group's net profit for the current quarter and financial period ended 31 March 2017 increased to RM0.45 million, representing a growth of 50.00% as compared to net profit of RM0.30 million reported in the preceding year corresponding quarter and period.



B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current quarter ended 31.03.2017	Preceding quarter ended 31.12.2016
	RM'000	RM'000
Profit/(Loss) before tax	562	(123)

Our Group recorded profit before tax of RM0.56 million for the current quarter ended 31 March 2017, as opposed to loss before tax of RM0.12 million in the preceding quarter ended 31 December 2016. The improvement in financial performance during the current quarter under review, as compared to the preceding quarter, was primarily attributable to higher sales and gross profit recorded in line with the increase in average selling prices of oil palm EFB fibre.

B3. PROSPECTS

For the near future, our Group expect the orders for oil palm EFB fibre from China will experience greater degree of volatility due to the prevailing economic uncertainties. Notwithstanding that, our Group remain cautiously optimistic that orders for oil palm EFB fibre from China in the mid and long term will be promising backed by the rising population in China and increasing demand for raw material alternatives that are cheaper, natural and environmentally-friendly.

Our Group's new production plant at Gua Musang has commenced operations during the current quarter under review. With the enhanced production capacity, our Group is better positioned to step up the efforts in penetrating new customer segment as well as expanding the market coverage.

The Board will monitor the market development closely, and ensure that prompt actions are taken in response to the changes. 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 2017 will remain positive.

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 EXPENSES

	Current quarter ended 31.03.2017 RM'000	Year-to-date ended 31.03.2017 RM'000
Current tax expense	(77)	(77)
Deferred tax income/(expense)	(39)	(39)
Total tax expenses	<u>(116)</u>	<u>(116)</u>
Effective tax rate	<u>20.64%</u>	<u>20.64%</u>

The Group's effective tax rate for the current quarter and financial period under review stood at 20.64%. The prevailing statutory tax rate applicable to the Group is 24%.

The effective tax rate during the current quarter and financial period under review was lower than the applicable statutory tax rate, primarily due to several operating subsidiaries of the Group have been granted Pioneer Status where statutory income derived from the identified biomass products are exempted from tax.

B6. STATUS OF CORPORATE PROPOSALS

▪ ***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.

The Proposed Acquisition of the Power Plant and its construction have been completed on 24 May 2017.

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



B7. BORROWINGS

The Group's borrowings as at 31 March 2017 are as follows:-

	Short Term (Within 12 months) RM'000	Long Term (> 12 months) RM'000	Total RM'000
<u>Secured and guaranteed</u>			
Bankers' acceptance	15,165	-	15,165
Bank overdrafts	6,750	-	6,750
Hire purchase payables	4,895	7,964	12,859
Term loans	3,758	16,692	20,450
Total Borrowings	30,568	24,656	55,224

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

B8. EARNINGS PER SHARE

Basic Earnings per Share ("BEPS")

	Current quarter ended		Year-to-date ended	
	31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
Basic earnings per share				
Profit attributable to equity holders of the parent	491	339	491	339
Weighted average number of ordinary shares in issue ('000)	308,700	308,700	308,700	308,700
BEPS (sen)	0.16	0.11	0.16	0.11

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 31 March 2017.

B9. 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.



B10. DISCLOSURE ON REALISED AND UNREALISED PROFIT/LOSS

The retained earnings of the Group as at 31 March 2017 are analysed as follows:

	As at 31.03.2017 RM'000	As at 31.12.2016 RM'000
The retained earnings of the Company and its subsidiaries:		
- Realised	55,466	55,161
- Unrealised	(1,778)	(1,919)
	53,688	53,242
Add: Consolidation adjustments	(8,500)	(8,545)
	45,188	44,697

B11. DISCLOSURE ON SELECTED INCOME/EXPENSE ITEMS

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

	Current quarter ended 31.03.2017 RM'000	Year-to-date ended 31.03.2017 RM'000
Interest income	18	18
Other income including investment income	94	94
Interest expense	(754)	(754)
Depreciation expenses	(2,606)	(2,606)
Amortisation expenses	(300)	(300)
Net foreign exchange gain/(loss)	(246)	(246)
Gain on disposal of property, plant and equipment	170	170
Fair value gain/(loss) on derivative instruments	293	293
Reversal of impairment of receivables	88	88
Provision for doubtful debts and write-off of receivables	(73)	(73)
Impairment of assets	-	-
Provision for and write off of inventories	-	-
Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-
Exceptional items	-	-



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 31 March 2017, the Group have the following outstanding forward currency contracts:

Maturity Period	[----- Contract Value -----]		Fair value
	USD'000	RM'000 equivalent	as at 31 March 2017 RM'000
- By April 2017	50	216	211
- By June 2017	50	223	225
- By August 2017	100	407	369
- By September 2017	200	824	758
- By October 2017	200	840	791
- By November 2017	450	1,931	1,858
	1,050	4,441	4,212

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 gain of approximately RM293,000 during the current quarter under review, as a result of reversal of derivative liability associated with forward foreign currency contracts which lapsed during the current quarter under review and after offsetting fair value changes of the forward foreign currency contracts entered into by the Group and outstanding as at 31 March 2017.

There is no change to the policies in relation to the derivatives since the last financial year ended 31 December 2016.