



# **HENG HUAT RESOURCES GROUP BERHAD**

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

## **INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2016 <sup>(1)</sup> RM'000	Preceding Year Corresponding Quarter 30.09.2015 RM'000	Current Year Period 30.09.2016 <sup>(1)</sup> RM'000	Preceding Year Corresponding Period 30.09.2015 RM'000
Revenue	17,853	18,043	57,358	71,072
Cost of sales	(11,929)	(11,283)	(36,658)	(40,829)
Gross profit ("GP")	5,924	6,760	20,700	30,243
Other income	556	2,446	2,309	2,849
Selling and distribution expenses	(3,506)	(2,931)	(11,031)	(11,638)
Administrative and other expenses	(2,846)	(2,945)	(10,093)	(7,361)
Finance costs	(379)	(352)	(1,061)	(1,155)
Profit before taxation ("PBT")	(251)	2,978	824	12,938
Tax income/(expenses)	(274)	(80)	(277)	(560)
<b>Profit after taxation ("PAT") / Total comprehensive income</b>	<b>(525)</b>	<b>2,898</b>	<b>547</b>	<b>12,378</b>
<b>Profit for the financial period/ Total comprehensive income attributable to:</b>				
- Owners of Heng Huat	(540)	2,507	600	10,458
- Non-controlling interests	15	391	(53)	1,920
	<b>(525)</b>	<b>2,898</b>	<b>547</b>	<b>12,378</b>
<b>Earnings per share attributable to owners of Heng Huat:</b>				
- Basic (sen) <sup>(2)</sup>	(0.17)	0.81	0.19	3.39
- Diluted (sen) <sup>(2)</sup>	N/A	N/A	N/A	N/A

*Notes:*

N/A Not applicable.

<sup>(1)</sup> 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.

<sup>(2)</sup> Kindly refer to **Note B9** for further details.

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

	As at 30.09.2016 <sup>(1)</sup> RM'000 (unaudited)	As at 31.12.2015 RM'000 (audited)
<b>Non-Current Assets</b>		
Property, plant and equipment	104,364	81,431
Intangible assets	2,182	961
	106,546	82,392
<b>Current Assets</b>		
Inventories	10,814	7,617
Trade and other receivables	26,035	31,791
Current tax assets	392	742
Cash and cash equivalents	7,216	10,469
	44,457	50,619
<b>TOTAL ASSETS</b>	<b>151,003</b>	<b>133,011</b>
<b>Equity</b>		
Share capital	30,870	30,870
Share premium	5,454	5,454
Reorganisation reserve	(5,185)	(5,185)
Retained earnings	45,251	44,652
	76,390	75,791
Non-controlling interests	4,702	5,255
<b>Total Equity</b>	<b>81,092</b>	<b>81,046</b>
<b>Non-Current Liabilities</b>		
Borrowings	27,317	13,942
Deferred tax liabilities	835	895
	28,152	14,837
<b>Current Liabilities</b>		
Trade and other payables	18,168	18,075
Derivative liability	123	108
Borrowings	23,468	18,945
	41,759	37,128
<b>Total Liabilities</b>	<b>69,911</b>	<b>51,965</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>151,003</b>	<b>133,011</b>
<b>NET ASSETS PER SHARE (RM) <sup>(2)</sup></b>	<b>0.25</b>	<b>0.25</b>

Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> 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	<b>75,791</b>	5,255	<b>81,046</b>
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	(500)	<b>(500)</b>
Total comprehensive income for the financial period	-	-	-	600	<b>600</b>	(53)	<b>547</b>
At 30 September 2016	<b>30,870</b>	<b>5,454</b>	<b>(5,185)</b>	<b>45,252</b>	<b>76,391</b>	<b>4,702</b>	<b>81,093</b>
At 1 January 2015	20,580	15,863	(5,185)	36,880	<b>68,138</b>	4,594	<b>72,732</b>
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	(800)	<b>(800)</b>
Dividend paid to shareholders of the parent	-	-	-	(1,029)	<b>(1,029)</b>	-	<b>(1,029)</b>
Bonus issue	10,290	(10,409)	-	-	<b>(119)</b>	-	<b>(119)</b>
Total comprehensive income for the financial period	-	-	-	10,458	<b>10,458</b>	1,920	<b>12,378</b>
At 30 September 2015	<b>30,870</b>	<b>5,454</b>	<b>(5,185)</b>	<b>46,309</b>	<b>77,448</b>	<b>5,714</b>	<b>83,162</b>

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	
	30.09.2016 RM'000	30.09.2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	824	12,938
<u>Adjustments for:</u>		
Amortisation of intangible assets	192	259
Bad debt written-off	37	164
Provision of doubtful debt	12	-
Depreciation of property, plant and equipment	5,724	5,400
Fair value adjustment on derivative instruments	15	145
(Gain)/Loss on disposal of property, plant and equipment	(53)	47
Written off of property, plant and equipment	5	-
Interest expense	1,061	1,155
Interest income	(52)	(104)
Reversal of impairment of receivables	(380)	-
Unrealised loss/(gain) on foreign exchange	1,066	(2,377)
	<hr/>	<hr/>
Operating profit before working capital changes	8,451	17,627
(Increase)/Decrease in inventories	(3,197)	(1,540)
Decrease/(Increase) in trade and other receivables	5,021	(7,782)
(Decrease)/Increase in trade and other payables	93	1,452
	<hr/>	<hr/>
	10,368	9,757
Tax refund/(paid)	13	(595)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>10,381</b>	<b>9,162</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Development costs incurred	(1,413)	-
Interest received	52	104
Proceeds from disposal of property, plant and equipment	134	399
Purchase of property, plant and equipment	(19,695)	(15,312)
Changes in fixed deposits pledged with licensed banks	(35)	(44)
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(20,957)</b>	<b>(14,853)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling shareholders of a subsidiary	(500)	(800)
Dividend paid to shareholders of the parent	-	(1,029)
Interest paid	(1,061)	(1,155)
Incidental cost directly attributable to Bonus Issue	-	(119)
Net drawdown of bankers' acceptance	(880)	5,189
Net drawdown/(repayment) of term loans	10,248	(4,114)
Net repayment of hire purchase payables	(2,982)	(2,526)
	<hr/>	<hr/>
<b>Net cash generated from/(used in) financing activities</b>	<b>4,825</b>	<b>(4,554)</b>
	<hr/>	<hr/>
Net changes in cash and cash equivalents	(5,751)	(10,245)
Effects of foreign exchange	(1)	69
Cash and cash equivalents at beginning of the financial period	4,660	15,213
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the financial period</b>	<b>(1,092)</b>	<b>5,037</b>



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

	Year-to-date ended	
	30.09.2016 RM'000	30.09.2015 RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	4,821	6,365
Fixed deposits pledged to financial institutions	2,395	2,255
	7,216	8,620
Less: Bank overdraft	(5,913)	(1,328)
Less: Fixed deposits pledged to financial institutions	(2,395)	(2,255)
	<b>(1,092)</b>	<b>5,037</b>

*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.*

**Remark**

The negative balance of cash and cash equivalents at the end of 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 is funded by internally-generated funds. The prevailing negative net cash position is temporary as the Gua Musang Expansion is near completion (estimated to be completed by first quarter of 2017) and cash outlays on capital expenditure will gradually 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 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

- 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

### 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.





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**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**

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 September 2016 is as follows:

	<b>As at 30.09.2016 RM'000</b>
<b>Property, plant and equipment</b>	
Approved but not contracted for	-
Contracted but not provided for	4,579
	<u>4,579</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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
<b><u>Segment Revenue</u></b>				
Biomass materials and related products	14,521	13,696	42,963	55,391
Mattresses and related products	4,564	5,144	17,118	24,411
	19,085	18,840	60,081	79,802
Elimination of intragroup transactions	(1,232)	(797)	(2,723)	(8,730)
<b>Revenue from external customers</b>	<b>17,853</b>	<b>18,043</b>	<b>57,358</b>	<b>71,072</b>
<b><u>Segment Results</u></b>				
Biomass materials and related products	609	3,877	1,363	13,830
Mattresses and related products	(455)	(374)	(196)	(49)
	154	3,503	1,167	13,781
Unallocated corporate income and expenses (net)	(478)	(600)	(751)	(1,135)
Elimination of intragroup transactions and profits	73	75	408	292
<b>Profit before tax of the Group</b>	<b>(251)</b>	<b>2,978</b>	<b>824</b>	<b>12,938</b>
<b><u>Segment Assets</u></b>				
Biomass materials and related products	133,302	107,936	133,302	107,936
Mattresses and related products	16,292	17,876	16,292	17,876
	149,594	125,812	149,594	125,812
Tax assets	392	601	392	601
Unallocated assets	32,885	30,724	32,885	30,724
Elimination of intragroup balances and profits	(31,868)	(34,714)	(31,868)	(34,714)
<b>Total assets of the Group</b>	<b>151,003</b>	<b>122,423</b>	<b>151,003</b>	<b>122,423</b>
<b><u>Segment Liabilities</u></b>				
Biomass materials and related products	74,968	50,225	74,968	50,225
Mattresses and related products	13,686	15,073	13,686	15,073
	88,654	65,298	88,654	65,298
Tax liabilities	835	807	835	807
Unallocated liabilities	12,058	7,911	12,058	7,911
Elimination of intragroup balances and profits	(31,636)	(34,755)	(31,636)	(34,755)
<b>Total liabilities of the Group</b>	<b>69,911</b>	<b>39,261</b>	<b>69,911</b>	<b>39,261</b>



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

**B1. ANALYSIS OF PERFORMANCE**

**Revenue**

For the current quarter ended 30 September 2016, the Group recorded revenue of approximately RM17.85 million, marginally lower by 1.05% or RM0.19 million as compared to revenue of RM18.04 million in preceding year corresponding quarter.

For the financial period ended 30 September 2016, the Group recorded revenue of approximately RM57.36 million, decreased by approximately 19.29% or RM13.71 million as compared to revenue of RM71.07 million in preceding year corresponding period.

The moderation of sales performance for the nine (9) months period ended 30 September 2016 was primarily due to the following factors:

- i. Lower sales of oil palm EFB fibre to China market. The market sentiment within the China's operating environment was weighed down by the economic uncertainties during the second half of 2015 and notwithstanding that the demand has been on gradual recovery during the financial period ended 30 September 2016, the sales volume has yet to reach the prior peak; and
- 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 Level**

For the current quarter ended 30 September 2016, the Group recorded net loss after tax of approximately RM0.53 million as compared to net profit of RM2.90 million in preceding year corresponding quarter. The loss was attributable to the following factors:

- i. Lower margin from sales of oil palm EFB fibre as a result of decrease in average selling price as explained above;
- ii. Lower foreign exchange gain recorded during the current quarter under review, as the exchange rate fluctuation between US Dollar and Ringgit Malaysia was relatively less volatile as compared to preceding year corresponding quarter; and
- iii. Higher forwarding and freight charges incurred during the current quarter under review in line with the increase in oil palm EFB fibre delivery volume to China as compared to preceding year corresponding quarter.

For the financial period ended 30 September 2016, the Group recorded net profit after tax of approximately RM0.55 million as compared to net profit of RM12.38 million in preceding year corresponding period. The moderation of the profit performance was primarily due to lower revenue and increasing cost of sales which resulted in lower gross profit recorded.



**B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER**

	<b>Current quarter ended 30.09.2016</b>	<b>Preceding quarter ended 30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
(Loss)/Profit before taxation	<u>(251)</u>	<u>820</u>

The Group recorded loss before taxation of RM0.25 million for the current quarter under review as compared to profit before taxation of RM0.82 million in the preceding quarter ended 30 June 2016. This was primarily due to lower sales recorded from the mattress division during the current quarter under review as a result of cyclical slowdown in retail sales.

**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.

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 first quarter of 2017.

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 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)/INCOME**

	<b>Current quarter ended 30.09.2016 RM'000</b>	<b>Year-to-date ended 30.09.2016 RM'000</b>
Current tax expense	(260)	(337)
Deferred tax income/(expense)	(14)	60
Total tax expenses	<u>(274)</u>	<u>(277)</u>
Effective tax rate	<u>109.16%</u>	<u>33.62%</u>

Although the Group reported loss before taxation for the current quarter under review, the Group recorded total tax expenses of approximately RM274,000 during the current quarter under review resulting in an anomalous effective tax rate of 109.16%.

For the financial period under review, the Group recorded an effective tax rate of 33.62%, which exceeded the prevailing statutory tax rate applicable to the Group of 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).

The anomalous trend of effective tax rate during the current quarter and financial period under review was primarily due to under-provision of income tax expenses in prior year recognised during the current quarter under review upon finalisation of the annual tax returns. The under-provision of income tax expenses in prior year is unintentional, arising from disparity in expenses allocation basis between the provisional tax computation and the actual tax return upon advice of the Group's tax agent.

**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.

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 first quarter of 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 30 September 2016 are as follows:-

	Short Term (Within 12 months) RM'000	Long Term (> 12 months) RM'000	Total RM'000
<b><i>Secured and guaranteed</i></b>			
Bankers' acceptance	9,238	-	9,238
Bank overdrafts	5,913	-	5,913
Hire purchase payables	4,845	8,437	13,282
Term loans	3,472	18,880	22,352
<b>Total Borrowings</b>	<b>23,468</b>	<b>27,317</b>	<b>50,785</b>

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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
<b>Basic earnings per share</b>				
Profit(Loss) attributable to equity holders of the parent	(540)	2,507	600	10,458
Weighted average number of ordinary shares in issue ('000)	308,700	308,700	308,700	308,700
	<b>sen</b>	<b>sen</b>	<b>sen</b>	<b>sen</b>
BEPS	(0.17)	0.81	0.19	3.39

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 September 2016.



**B10. DISCLOSURE ON REALISED AND UNREALISED PROFIT/LOSS**

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

	<b>As at 30.09.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
The retained earnings of the Company and its subsidiaries:		
- Realised	57,020	54,838
- Unrealised	(2,024)	(159)
	<hr/> 54,996	<hr/> 54,679
Add: Consolidation adjustments	(9,745)	(10,027)
	<hr/> 45,251	<hr/> 44,652
<b>Total Group retained earnings as per consolidated financial statements</b>	<b>45,251</b>	<b>44,652</b>

**B11. DISCLOSURE ON SELECTED INCOME/EXPENSE ITEMS**

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

	<b>Current quarter ended 30.09.2016 RM'000</b>	<b>Year-to-date ended 30.09.2016 RM'000</b>
Interest income	27	52
Other income including investment income	176	459
Interest expense	(379)	(1,061)
Depreciation expenses	(2,016)	(5,724)
Amortisation expenses	(64)	(192)
Net foreign exchange gain/(loss)	430	(799)
Gain on disposal of property, plant and equipment	48	53
Fair value (loss)/gain on derivative instruments	(53)	(15)
Reversal of impairment of receivables	14	380
Provision for and write off of receivables	(31)	(49)
Property, plant and equipment written off	(5)	(5)
Provision for and write off of inventories	-	-
Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-
Exceptional items	-	-

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## 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 September 2016, the Group have the following outstanding forward currency contracts:

Maturity Period	[----- Contract Value -----]		Fair value
	USD'000	RM'000 equivalent	as at 30 September 2016 RM'000
- By December 2016	50	207	207
- By January 2017	100	408	400
- By February 2017	100	411	406
- By May 2017	160	656	643
- By June 2017	200	825	813
- By July 2017	100	403	388
- By August 2017	350	1,419	1,372
- By September 2017	200	824	809
	1,260	5,153	5,038

Maturity Period	[----- Contract Value -----]		Fair value
	RMB'000	RM'000 equivalent	as at 30 September 2016 RM'000
- By February 2017	200	121	118
- By March 2017	900	551	546
	1,100	672	664

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 RM123,000 arising from fair value changes of the forward foreign currency contracts entered into by the Group and outstanding as at 30 September 2016.

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