



HENG HUAT RESOURCES GROUP BERHAD

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

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2016 ⁽¹⁾ RM'000	Preceding Year Corresponding Quarter 31.12.2015 RM'000	Current Year Period 31.12.2016 ⁽¹⁾ RM'000	Preceding Year Corresponding Period 31.12.2015 RM'000 (audited)
Revenue	27,217	19,944	84,575	91,016
Cost of sales	(18,606)	(13,668)	(55,264)	(54,497)
Gross profit ("GP")	8,611	6,276	29,311	36,519
Other income	248	1,492	2,093	4,341
Selling and distribution expenses	(4,866)	(3,477)	(15,897)	(15,115)
Administrative and other expenses	(3,476)	(5,424)	(13,105)	(12,785)
Finance costs	(640)	(459)	(1,701)	(1,614)
Profit/(loss) before taxation	(123)	(1,592)	701	11,346
Tax expenses	(337)	(125)	(614)	(685)
(Loss)/Profit after taxation / Total comprehensive (loss)/income	(460)	(1,717)	87	10,661
(Loss)/Profit for the financial year/ Total comprehensive (loss)/income attributable to:				
- Owners of Heng Huat	(555)	(1,658)	45	8,800
- Non-controlling interests	95	(59)	42	1,861
	(460)	(1,717)	87	10,661
Earnings per share attributable to owners of Heng Huat:				
- Basic (sen) ⁽²⁾	(0.18)	(0.54)	0.01	2.85
- 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 2015 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 31.12.2016 ⁽¹⁾ RM'000 (unaudited)	As at 31.12.2015 RM'000 (audited)
Non-Current Assets		
Property, plant and equipment	105,373	81,431
Intangible assets	5,456	961
	110,829	82,392
Current Assets		
Inventories	7,415	7,617
Trade and other receivables	29,288	31,791
Current tax assets	381	742
Cash and cash equivalents	11,397	10,469
	48,481	50,619
TOTAL ASSETS	159,310	133,011
Equity		
Share capital	30,870	30,870
Share premium	5,454	5,454
Reorganisation reserve	(5,185)	(5,185)
Retained earnings	44,697	44,652
	75,836	75,791
Non-controlling interests	3,707	5,255
Total Equity	79,543	81,046
Non-Current Liabilities		
Borrowings	25,516	13,942
Deferred tax liabilities	732	895
	26,248	14,837
Current Liabilities		
Trade and other payables	22,681	18,075
Derivative liability	521	108
Current tax liabilities	124	-
Borrowings	30,193	18,945
	53,519	37,128
Total Liabilities	79,767	51,965
TOTAL EQUITY AND LIABILITIES	159,310	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	-	-	-	-	-	(1,590)	(1,590)
Total comprehensive income for the financial year	-	-	-	45	45	42	87
At 31 December 2016	30,870	5,454	(5,185)	44,697	75,836	3,707	79,543
At 1 January 2015	20,580	15,863	(5,185)	36,881	68,139	4,594	72,733
Dividend paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	(1,200)	(1,200)
Dividend paid to shareholders of the parent	-	-	-	(1,029)	(1,029)	-	(1,029)
Ordinary shares issued pursuant to bonus issue	10,290	(10,290)	-	-	-	-	-
Share issue expenses	-	(119)	-	-	(119)	-	(119)
Total comprehensive income for the financial year	-	-	-	8,800	8,800	1,861	10,661
At 31.12.2015	30,870	5,454	(5,185)	44,652	75,791	5,255	81,046

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	
	31.12.2016 RM'000	31.12.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	701	11,346
<u>Adjustments for:</u>		
Amortisation of intangible assets	313	343
Bad debt written-off	76	85
Provision of doubtful debt	9	-
Depreciation of property, plant and equipment	8,020	6,999
Fair value adjustment on derivative instruments	413	(105)
(Gain)/Loss on disposal of property, plant and equipment	(74)	578
Property, plant and equipment written off	9	-
Interest expense	1,701	1,614
Interest income	(79)	(161)
Impairment of receivables	-	483
Reversal of impairment of receivables	(380)	-
Listing expenses	-	88
Unrealised loss/(gain) on foreign exchange	664	(844)
	<hr/>	<hr/>
Operating profit before working capital changes	11,373	20,426
Decrease/(Increase) in inventories	202	(1,727)
Decrease/(Increase) in trade and other receivables	2,046	(9,944)
Increase in trade and other payables	4,606	7,628
	<hr/>	<hr/>
	18,227	16,383
Tax paid	(292)	(774)
	<hr/>	<hr/>
Net cash from operating activities	17,935	15,609
CASH FLOWS FROM INVESTING ACTIVITIES		
Development costs incurred	(4,808)	(160)
Interest received	79	161
Proceeds from disposal of property, plant and equipment	1,656	1,245
Purchase of property, plant and equipment	(23,684)	(25,875)
Changes in fixed deposits pledged with licensed banks	(190)	(149)
	<hr/>	<hr/>
Net cash used in investing activities	(26,947)	(24,778)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to non-controlling shareholders of a subsidiary	(1,590)	(1,200)
Dividend paid to shareholders of the parent	-	(1,029)
Interest paid	(1,701)	(1,614)
Share issue and listing expenses	-	(207)
Net drawdown of bankers' acceptance	4,929	6,350
Net drawdown/(repayment) of term loans	9,367	(1,045)
Net repayment of hire purchase payables	(4,306)	(2,639)
	<hr/>	<hr/>
Net cash from/(used in) financing activities	6,699	(1,384)
	<hr/>	<hr/>
Net changes in cash and cash equivalents	(2,313)	(10,553)
Effects of foreign exchange	88	-
Cash and cash equivalents at beginning of the financial period	4,660	15,213
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Cash and cash equivalents at end of the financial period	2,435	4,660



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

	Year-to-date ended	
	31.12.2016	31.12.2015
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	8,847	8,109
Fixed deposits pledged to financial institutions	2,550	2,360
	<hr/>	<hr/>
	11,397	10,469
Less: Bank overdraft	(6,412)	(3,449)
Less: Fixed deposits pledged to financial institutions	(2,550)	(2,360)
	<hr/>	<hr/>
	2,435	4,660
	<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.

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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 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*

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 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 year 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 year 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 year under review.

A8. DIVIDEND PAID/ DECLARED

The Board of Directors did not recommend any payment of dividend during the current quarter and financial year under review. (*FPE 31 December 2015: 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 year 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 year 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 December 2016 is as follows:

	As at 31.12.2016 RM'000
Property, plant and equipment	
Approved but not contracted for	-
Contracted but not provided for	1,868
	<u>1,868</u>
	<u><u>1,868</u></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 year 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	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
<u>Segment Revenue</u>				
Biomass materials and related products	21,234	14,049	64,197	69,440
Mattresses and related products	6,948	6,912	24,066	31,323
	28,182	20,961	88,263	100,763
Elimination of intragroup transactions	(965)	(1,017)	(3,688)	(9,747)
Revenue from external customers	27,217	19,944	84,575	91,016
<u>Segment Results</u>				
Biomass materials and related products	(212)	(1,215)	1,151	12,615
Mattresses and related products	243	(1)	47	(50)
	31	(1,216)	1,198	12,565
Unallocated corporate income and expenses (net)	321	(746)	(430)	(1,881)
Elimination of intragroup transactions and profits	(475)	370	(67)	662
Profit before tax of the Group	(123)	(1,592)	701	11,346
<u>Segment Assets</u>				
Biomass materials and related products	153,637	117,225	153,637	117,225
Mattresses and related products	17,711	19,397	17,711	19,397
	171,348	136,622	171,348	136,622
Tax assets	381	742	381	742
Unallocated assets	24,783	30,159	24,783	30,159
Elimination of intragroup balances and profits	(37,202)	(34,512)	(37,202)	(34,512)
Total assets of the Group	159,310	133,011	159,310	133,011
<u>Segment Liabilities</u>				
Biomass materials and related products	96,983	61,556	96,983	61,556
Mattresses and related products	14,864	16,614	14,864	16,614
	111,847	78,170	111,847	78,170
Tax liabilities	856	895	856	895
Unallocated liabilities	4,033	7,452	4,033	7,452
Elimination of intragroup balances and profits	(36,969)	(34,552)	(36,969)	(34,552)
Total liabilities of the Group	79,767	51,965	79,767	51,965



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

B1. ANALYSIS OF PERFORMANCE

Revenue

For the current quarter ended 31 December 2016, the Group recorded revenue of approximately RM27.22 million, increased by approximately 36.51% or RM7.28 million as compared to revenue of RM19.94 million in preceding year corresponding quarter. This was primarily attributable to increased sales of oil palm EFB fibre, in line with the gradual recovery of demand from China.

For the financial year ended 31 December 2016, the Group recorded revenue of approximately RM84.58 million, decreased by approximately 7.08% or RM6.44 million as compared to revenue of RM91.02 million in preceding year. The moderation of sales performance was primarily due to decrease in average selling prices of oil palm EFB fibre, as a result of the following:

- i. Price revision implemented by the Group in view of the prevailing economic uncertainties, in order to strengthen the Group's market competitiveness; and
- ii. Change in the destination mix. Selling price varies according to the respective destination ports in China after taking into consideration the port's and freight charges.

Profit Level

For the current quarter ended 31 December 2016, the Group recorded net loss after tax of approximately RM0.46 million as compared to net loss of RM1.72 million in preceding year corresponding quarter. The improvement was primarily attributable to increase in revenue and gross profit during the current quarter under review. The increase was, however, partially mitigated by the following:

- i. Decrease in other income as a result of 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
- ii. 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 year ended 31 December 2016, the Group recorded net profit after tax of approximately RM0.09 million as compared to net profit of RM10.66 million in preceding year. The moderation of the profit performance was primarily due to the following factors:

- a) Lower revenue and increasing cost of sales which resulted in lower gross profit recorded; and
- b) Lower other income as a result of decrease in foreign exchange gain.



B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current quarter ended 31.12.2016	Preceding quarter ended 30.09.2016
	RM'000	RM'000
Loss before taxation	<u>(123)</u>	<u>(251)</u>

The Group recorded loss before taxation of RM0.12 million for the current quarter under review, as compared to loss before taxation of RM0.25 million in the preceding quarter ended 30 September 2016. This was primarily due to improvement in revenue and gross profit recorded during the current quarter under review. The improvement was, however, partially mitigated by 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.

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.

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)/INCOME

	Current quarter ended 31.12.2016 RM'000	Year-to-date ended 31.12.2016 RM'000
Current tax expense	(440)	(777)
Deferred tax income/(expense)	103	163
Total tax expenses	<u>(337)</u>	<u>(614)</u>
Effective tax rate	<u>-273.98%</u>	<u>-87.59%</u>

The Group's effective tax rate for the current quarter and financial year under review stood at 273.98% and 87.59% respectively. The prevailing statutory tax rate applicable to the Group is 24%.

The effective tax rate during the current quarter under review was significantly higher than the applicable statutory tax rate, primarily due to higher taxable profits recorded as certain expenses disallowed for tax deduction were added back for the computation of provisional tax expenses.

The effective tax rate during the current financial year under review was significantly higher than the applicable statutory tax rate, primarily due to under-provision of income tax expenses in prior year recognised upon finalisation of the annual tax returns and certain expenses disallowed for tax deduction were added back for the computation of current year's provisional tax expenses. 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 31 December 2016 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	15,047	-	15,047
Bank overdrafts	6,412	-	6,412
Hire purchase payables	4,827	7,952	12,779
Term loans	3,907	17,564	21,471
Total Borrowings	30,193	25,516	55,709

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	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Basic earnings per share (Loss)/Profit attributable to equity holders of the parent	(555)	(1,658)	45	8,800
Weighted average number of ordinary shares in issue ('000)	308,700	205,800	308,700	205,800
Effect of bonus issue (1 for 2)	-	102,900 ^	-	102,900 ^
Adjusted weighted average number of ordinary shares in issue ('000)	308,700	308,700	308,700	308,700
BEPS (sen)	(0.18)	(0.54)	0.01	2.85

^ In accordance with MFRS 133, the number of ordinary shares outstanding before the bonus issue was adjusted for the proportionate change in the number of ordinary shares outstanding as if the bonus issue had occurred at the beginning of the earliest period presented.

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 December 2016.



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 December 2016 are analysed as follows:

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
The retained earnings of the Company and its subsidiaries:		
- Realised	55,159	54,838
- Unrealised	(1,917)	(159)
	53,242	54,679
Add: Consolidation adjustments	(8,545)	(10,027)
Total Group retained earnings as per consolidated financial statements	44,697	44,652

B11. DISCLOSURE ON SELECTED INCOME/EXPENSE ITEMS

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

	Current quarter ended 31.12.2016 RM'000	Year-to-date ended 31.12.2016 RM'000
Interest income	27	79
Other income including investment income	-	459
Interest expense	(640)	(1,701)
Depreciation expenses	(2,296)	(8,020)
Amortisation expenses	(121)	(313)
Net foreign exchange gain/(loss)	1,133	334
Gain on disposal of property, plant and equipment	21	74
Fair value (loss)/gain on derivative instruments	(398)	(413)
Reversal of impairment of receivables	-	380
Provision for doubtful debts and write-off of receivables	(36)	(85)
Property, plant and equipment written off	(4)	(9)
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 December 2016, the Group have the following outstanding forward currency contracts:

Maturity Period	[----- Contract Value -----]		Fair value
	USD'000	RM'000 equivalent	as at 31 December 2016 RM'000
-			
- By January 2017	38	166	159
- By February 2017	100	411	373
- By March 2017	50	216	207
- By May 2017	50	211	197
- By June 2017	250	1,086	1,046
- By August 2017	350	1,419	1,259
- By September 2017	200	824	744
- By October 2017	200	840	777
- By November 2017	450	1,931	1,826
	<u>1,688</u>	<u>7,104</u>	<u>6,588</u>

Maturity Period	[----- Contract Value -----]		Fair value
	RMB'000	RM'000 equivalent	as at 31 December 2016 RM'000
- By February 2017	200	125	120

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 RM521,000 arising from fair value changes of the forward foreign currency contracts entered into by the Group and outstanding as at 31 December 2016.

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