



# **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 2014**

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.6.2014 <sup>(1)</sup> RM'000	Preceding Year Corresponding Quarter 30.6.2013 RM'000	Current Year Period 30.6.2014 <sup>(1)</sup> RM'000	Preceding Year Corresponding Period 30.6.2013 RM'000
Revenue	24,058	16,413	45,377	32,515
Cost of sales	(13,614)	(9,017)	(25,280)	(17,401)
Gross profit ("GP")	10,444	7,396	20,097	15,114
Other income	72	58	160	64
Selling and distribution expenses	(4,384)	(2,918)	(8,259)	(5,779)
Administrative and other expenses	(1,919)	(1,244)	(3,463)	(2,555)
Finance costs	(553)	(599)	(1,125)	(1,149)
Profit before taxation ("PBT")	3,660	2,693	7,410	5,695
Tax expenses	(436)	(207)	(906)	(499)
<b>Profit after taxation ("PAT")</b>	<b>3,224</b>	<b>2,486</b>	<b>6,504</b>	<b>5,196</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>3,224</b>	<b>2,486</b>	<b>6,504</b>	<b>5,196</b>
<b>Profit for the financial period/ Total comprehensive income attributable to:</b>				
- Owners of Heng Huat	2,687	2,429	5,724	5,029
- Non-controlling interests	537	57	780	167
	<b>3,224</b>	<b>2,486</b>	<b>6,504</b>	<b>5,196</b>
<b>Earnings per share attributable to owners of Heng Huat:</b>				
- Basic (sen) <sup>(2)</sup>	1.69	1.52	3.59	3.16
- 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 Comprehensive Income should be read in conjunction with the Prospectus of the Company dated 30 June 2014 (including the Pro Forma Financial Information and Accountants' Report) and the accompanying explanatory notes attached to this interim financial report.

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



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

	As at 30.6.2014 <sup>(1)</sup> RM'000 (unaudited)	As at 31.12.2013 RM'000
<b>Non-Current Assets</b>		
Property, plant and equipment	61,121	59,247
Intangible assets	746	325
	61,867	59,572
<b>Current Assets</b>		
Inventories	5,408	4,218
Trade and other receivables	21,408	19,387
Current tax assets	384	267
Cash and cash equivalents	6,245	5,537
	33,445	29,409
	33,445	29,409
<b>TOTAL ASSETS</b>	<b>95,312</b>	<b>88,981</b>
<b>Equity</b>		
Share capital	15,930	15,930
Reorganisation reserve	(5,185)	(5,185)
Retained earnings	32,325	26,601
	43,070	37,346
Non-controlling interests	3,282	2,502
<b>Total Equity</b>	<b>46,352</b>	<b>39,848</b>
<b>Non-Current Liabilities</b>		
Borrowings	20,478	22,960
Deferred tax liabilities	1,267	1,103
	21,745	24,063
<b>Current Liabilities</b>		
Trade and other payables	11,386	11,225
Borrowings	15,546	13,841
Current tax liabilities	283	4
	27,215	25,070
<b>Total Liabilities</b>	<b>48,960</b>	<b>49,133</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>95,312</b>	<b>88,981</b>
<b>NET ASSETS PER SHARE (RM) <sup>(2)</sup></b>	<b>0.27</b>	<b>0.23</b>

Notes:

<sup>(1)</sup> The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Prospectus of the Company dated 30 June 2014 (including the Pro Forma Financial Information and Accountants' Report) 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 159,300,030 ordinary shares of RM0.10 each, prior to the Public Issue as detailed in Note B6.



**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	Reorganisation reserve RM'000	Retained earnings RM'000	RM'000	RM'000	RM'000
At 1 January 2014	15,930	(5,185)	26,601	<b>37,346</b>	2,502	<b>39,848</b>
Total comprehensive income for the financial period	-	-	5,724	<b>5,724</b>	780	<b>6,504</b>
At 30 June 2014	<b>15,930</b>	<b>(5,185)</b>	<b>32,325</b>	<b>43,070</b>	3,282	<b>46,352</b>
At 1 January 2013	15,930	(5,185)	16,861	<b>27,606</b>	2,350	<b>29,956</b>
Total comprehensive income for the financial period	-	-	5,029	<b>5,029</b>	167	<b>5,196</b>
At 30 June 2013	<b>15,930</b>	<b>(5,185)</b>	<b>21,890</b>	<b>32,635</b>	2,517	<b>35,152</b>

*Note:*

*The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Prospectus of the Company dated 30 June 2014 (including the Pro Forma Financial Information and Accountants' Report) and the accompanying explanatory notes attached to this interim financial report.*



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

	Year-to-date ended	
	30.6.2014 RM'000	30.6.2013 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	7,410	5,695
<u>Adjustments for:</u>		
Amortisation of intangible assets	28	28
Depreciation of property, plant and equipment	2,780	2,363
(Gain)/Loss on disposal of property, plant and equipment	(37)	4
Interest expense	1,125	1,149
Interest income	(13)	(15)
	<hr/>	<hr/>
Operating profit before working capital changes	11,293	9,224
Increase in inventories	(1,190)	(4,056)
Increase in trade and other receivables	(2,021)	(1,101)
Increase/(Decrease) in trade and other payables	161	(1,300)
	<hr/>	<hr/>
Tax paid	8,243	2,767
Interest paid	(580)	(202)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>6,538</b>	<b>1,416</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Development costs incurred	(449)	-
Interest received	13	15
Proceeds from disposal of property, plant and equipment	108	5
Purchase of property, plant and equipment	(4,725)	(6,571)
Changes in fixed deposits pledged with licensed banks	(26)	(7)
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(5,079)</b>	<b>(6,558)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of term loans	-	3,530
Net drawdown of bankers' acceptance	863	3,298
Repayment of term loans	(1,274)	(1,147)
Net repayment of hire purchase payables	(672)	(962)
	<hr/>	<hr/>
<b>Net cash from financing activities</b>	<b>(1,083)</b>	<b>4,719</b>
Net changes in cash and cash equivalents	376	(423)
Cash and cash equivalents at beginning of the financial period	2,183	1,867
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the financial period</b>	<b>2,559</b>	<b>1,444</b>



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

	Year-to-date ended	
	30.6.2014 <sup>(1)</sup>	30.6.2013
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	4,095	2,382
Fixed deposits pledged to financial institutions	2,150	1,243
	6,245	3,625
Less: Bank overdraft	(1,536)	(938)
Less: Fixed deposits pledged to financial institutions	(2,150)	(1,243)
	<b>2,559</b>	<b>1,444</b>

*Note:*

*The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Prospectus of the Company dated 30 June 2014 (including the Pro Forma Financial Information and Accountants' Report) 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, Paragraph 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, Pro Forma Financial Information and Accountants’ Report for the financial year ended 31 December 2013 as contained in the Prospectus of the Company dated 30 June 2014 and the accompanying explanatory notes attached to this interim financial report.

**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 as disclosed in the Accountants’ Report as contained in the Prospectus of the Company dated 30 June 2014, except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period as disclosed below:

Effective for annual periods commencing on or after 1 January 2014

- Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)
- Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)
- IC Interpretation 21 – Levies



## A2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

### Effective for annual periods commencing on or after 1 July 2014

- Amendment to MFRS 2 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 3 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 3 (Annual Improvements to MFRSs 2011 – 2013 Cycle)
- Amendment to MFRS 8 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 13 (Annual Improvements to MFRSs 2011 – 2013 Cycle)
- Amendment to MFRS 116 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Defined Benefit Plans: Employee Contributions (Amendments to MFRS 119)
- Amendment to MFRS 124 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 138 (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 140 (Annual Improvements to MFRSs 2011 – 2013 Cycle)

### Effective for annual periods commencing on or after 1 January 2016

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)
- MFRS 14 Regulatory Deferral Accounts
- MFRS 116 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)

### Effective date to be announced by MASB

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)
- Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 [IFRS 9 issued by IASB in November 2009], MFRS 9 [IFRS 9 issued by IASB in October 2010] and MFRS 7)
- Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)

The Group is in the process of assessing the impact of implementing these accounting standards, amendments and interpretations, 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 year ended 31 December 2013 were not subject to any qualification.





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**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 a slowdown in logistics services in China during this period as some of these logistics services are closed 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**

Not applicable as there were no estimates being reported during the prior financial years.

**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**

There were no dividends paid or declared for the current quarter and financial period under review.

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

Save as disclosed under Note B6 in relation to the Initial Public Offering and Listing of the Company on ACE Market of Bursa Malaysia Securities Berhad, there were no other material events subsequent to the end of current quarter and financial period under review that have not been reflected in the interim financial report.

**A10. CHANGES IN THE COMPOSITION OF THE GROUP**

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



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**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 2014 is as follows:

	<b>As at 30.6.2014 RM'000</b>
<b>Property, plant and equipment</b>	
Approved but not contracted for	<u>4,000</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	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RM'000	RM'000	RM'000	RM'000
<b><u>Segment Revenue</u></b>				
Biomass materials and related products	19,687	13,290	36,412	25,275
Mattresses and related products	9,196	5,245	18,257	14,499
	28,883	18,535	54,669	39,774
Elimination of intragroup transactions	(4,825)	(2,122)	(9,292)	(7,259)
<b>Revenue from external customers</b>	<b>24,058</b>	<b>16,413</b>	<b>45,377</b>	<b>32,515</b>
<b><u>Segment Results</u></b>				
Biomass materials and related products	4,204	2,763	7,714	5,466
Mattresses and related products	(152)	10	145	446
	4,052	2,773	7,859	5,912
Unallocated corporate income and expenses (net)	(415)	(169)	(681)	(342)
Elimination of intragroup transactions and profits	23	89	232	125
<b>Profit before tax of the Group</b>	<b>3,660</b>	<b>2,693</b>	<b>7,410</b>	<b>5,695</b>
<b><u>Segment Assets</u></b>				
Biomass materials and related products	88,065	78,746	88,065	78,746
Mattresses and related products	19,538	14,170	19,538	14,170
	107,603	92,916	107,603	92,916
Tax assets	384	73	384	73
Unallocated assets	2,158	2,020	2,158	2,020
Elimination of intragroup balances and profits	(14,833)	(12,114)	(14,833)	(12,114)
<b>Total assets of the Group</b>	<b>95,312</b>	<b>82,895</b>	<b>95,312</b>	<b>82,895</b>
<b><u>Segment Liabilities</u></b>				
Biomass materials and related products	42,243	45,403	42,243	45,403
Mattresses and related products	16,269	11,223	16,269	11,223
	58,512	56,626	58,512	56,626
Tax liabilities	1,550	1,084	1,550	1,084
Unallocated liabilities	3,627	2,034	3,627	2,034
Elimination of intragroup balances and profits	(14,729)	(12,001)	(14,729)	(12,001)
<b>Total liabilities of the Group</b>	<b>48,960</b>	<b>47,743</b>	<b>48,960</b>	<b>47,743</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 June 2014, the Group recorded revenue of RM24.06 million, representing an increase of approximately RM7.65 million or 46.58% as compared to the revenue of RM16.41 million registered in the preceding year corresponding quarter.

For the financial period ended 30 June 2014, the Group recorded revenue of RM45.38 million, representing an increase of approximately RM12.86 million or 39.56% as compared to the revenue of RM32.52 million in the preceding year corresponding period.

The increase in revenue was mainly contributed by improved revenue from the biomass materials and related products segment by approximately RM6.15 million and RM11.22 million during the current quarter and financial period ended 30 June 2014 respectively, arising from higher demand of oil palm EFB fibre particularly from the China market and improved average selling price by approximately 21.4% and 24.5% during the current quarter and financial period under review respectively, as compared to the preceding year corresponding quarter and period.

**Profit before Taxation (“PBT”)**

For the current quarter ended 30 June 2014, the Group reported PBT of RM3.66 million, representing an increase of approximately RM0.97 million or 35.91% as compared to the PBT of RM2.69 million recorded in the preceding year corresponding quarter.

For the financial period ended 30 June 2014, the Group reported PBT of RM7.41 million, representing an increase of approximately RM1.71 million or 30.11% as compared to the PBT of RM5.70 million recorded in the preceding year corresponding period.

The increase in PBT was in line with the revenue growth recorded during the current quarter and financial period under review as explained above. The increase in revenue was, however, offset by the decrease in margin of the biomass materials and related products segment resulting from overall increase in the supply price of oil palm EFB arising from increasing demand, as well as increase in transportation cost.



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

	<b>Current quarter ended 30 June 2014 RM'000</b>	<b>Preceding quarter ended 31 March 2014 RM'000</b>
Profit before taxation ("PBT")	3,660	3,750

The Group's PBT for the current quarter ended 30 June 2014 has remained relatively consistent as compared to the preceding quarter ended 31 March 2014, merely varied by approximately RM90,000 or 2.4%.

**B3. PROSPECTS**

As disclosed in the Prospectus of the Company dated 30 June 2014, the estimated revenue for biomass materials – coconut fibre and oil palm EFB fibre market in Malaysia stood at RM92.40 million in 2013. By 2018, this is expected to grow to RM180.40 million, representing a compounded annual growth rate of 14.32% over the next five (5) years. Further, the recent banning of new coal-fired plants in Beijing, Shanghai and Guangzhou of China is likely to spur demand for cleaner, alternative source of energy including Briquette (*Source: Independent Market Report by Protégé Associates*).

Based on the above and the consistent demand for the Group's oil palm EFB fibre in the first half of 2014, the Board of Directors is of the view that the Group's growth momentum is sustainable for the financial year ending 31 December 2014.

**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. INCOME TAX EXPENSE**

	<b>Current quarter ended 30.6.2014 RM'000</b>	<b>Year-to-date ended 30.6.2014 RM'000</b>
Current tax expense	413	742
Deferred tax expense	23	164
	436	906
Effective tax rate	11.9%	12.2%

The Group's effective tax rate for the current quarter and financial period ended 30 June 2014 stood at 11.9% and 12.2% respectively, lower as compared to the applicable statutory tax rate of 25%. This is mainly due to two of the Group's operating subsidiaries, namely HK Fibre Sdn Bhd and HK Kitaran Sdn Bhd, have been granted pioneer status by Ministry of International Trade and Industry (MITI) for their products in which their statutory income are exempted from tax for a stipulated period. The details of the applicable tax exemption are as follows:

<b>Company</b>	<b>Tax Exemption Period</b>	<b>Exempted Products</b>
HK Fibre Sdn Bhd	Five (5) years, from 1 April 2012 to 31 March 2017	Coconut fibre sheet
HK Kitaran Sdn Bhd	Ten (10) years, from 1 July 2010 to 30 June 2020	Fibre from palm biomass

In addition to the above tax exemptions, HK Kitaran had been granted an additional pioneer status by MITI on 21 July 2014 for its production of briquette from palm biomass in which the statutory income therefrom is exempted from tax for a stipulated period. The details of the new tax exemption obtained are as follows:

<b>Company</b>	<b>Tax Exemption Period</b>	<b>Exempted Products</b>
HK Kitaran Sdn Bhd	Five (5) years, from 1 February 2013 to 31 January 2018	Briquette from palm biomass



## B6. STATUS OF CORPORATE PROPOSALS AND UTILISATION OF PROCEEDS

In conjunction with and as an integral part of its listing on the ACE Market of Bursa Securities (“**Listing**”), the Company will undertake the following:

- **Initial Public Offering (“IPO”)**

The Company will undertake an IPO comprising:

- (I) Public Issue of 46,500,000 new ordinary shares of RM0.10 each (“**Shares**”) in the following manner:
  - 7,000,000 new Shares available for application by the Malaysian public;
  - 5,000,000 new Shares available for application by eligible employees and persons who have contributed to the success of the Group;
  - 12,200,000 new Shares each by way of private placement to selected investors; and
  - 22,300,000 new Shares by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry; and
- (II) Offer for Sale of 14,660,000 existing Shares by way of private placement to selected investors;

at an issue/offer price of RM0.45 per Share payable in full upon application.

- **Listing on the ACE Market of Bursa Securities**

Subsequent to the IPO, the Company’s entire issued and paid-up share capital of RM20,580,003 comprising 205,800,030 Shares is expected to be listed on the ACE Market of Bursa Securities.

The IPO was completed on 25 July 2014 pursuant to the Company’s listing on the ACE Market of Bursa Securities on the even date.

The gross proceeds raised by the Company from the Public Issue amounting to approximately RM20.93 million are expected to be utilised in the following manner:

Purpose	RM'000	%	Estimated Time Frame for Use (from the listing date)
(i) Capital expenditure	4,000	19.11	Within 36 months
(ii) Repayment of borrowings	9,378	44.82	Within 12 months
(iii) Working capital	4,547	21.73	Within 12 months
(iv) Estimated listing expenses	3,000	14.34	Upon Listing
Total gross proceeds	<u>20,925</u>	<u>100.00</u>	



## B7. BORROWINGS

The Group's borrowings as at 30 June 2014 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
<b><i>Secured and guaranteed</i></b>			
Bankers' acceptance	6,899	-	6,899
Bank overdrafts	1,536	-	1,536
Hire purchase payables	4,285	8,885	13,170
Term loans	2,826	11,593	14,419
<b>Total Borrowings</b>	<b>15,546</b>	<b>20,478</b>	<b>36,024</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	
	30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the parent	2,687	2,429	5,724	5,029
Weighted average number of ordinary shares in issue ('000) <sup>(1)</sup>	159,300	159,300	159,300	159,300
	<b>sen</b>	<b>sen</b>	<b>sen</b>	<b>sen</b>
BEPS	1.69	1.52	3.59	3.16

Note:

(1) Calculated based on the Company's existing issued and paid-up share capital of 159,300,030 ordinary shares of RM0.10 each, prior to the Public Issue as detailed in Note B6.





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 2014.

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

The retained earnings of the Group as at 30 June 2014 are analysed as follows:

	<b>As at 30.6.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
The retained earnings of the Company and its subsidiaries:		
- Realised	42,341	35,755
- Unrealised	(1,267)	(1,103)
	<hr/>	<hr/>
	41,074	34,652
Add: Consolidation adjustments	(8,749)	(8,051)
	<hr/>	<hr/>
<b>Total Group retained earnings as per consolidated financial statements</b>	<b>32,325</b>	<b>26,601</b>

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

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

	<b>Current quarter ended 30.6.2014 RM'000</b>	<b>Year-to-date ended 30.6.2014 RM'000</b>
Interest income	9	13
Other income including investment income	43	92
Interest expense	(553)	(1,125)
Depreciation expenses	(1,457)	(2,780)
Amortisation expenses	(14)	(28)
Net foreign exchange gain/(loss)	(221)	(239)
Net gain/(loss) on disposal of property, plant and equipment	13	37
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-
Gain/(Loss) on derivatives	-	-
Impairment of assets	-	-
Exceptional items	-	-