



HENG HUAT RESOURCES GROUP BERHAD

(Company No. 969678-D)
(Incorporated in Malaysia under the Companies Act, 2016)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

<u>CONTENTS</u>	<u>PAGE</u>
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	1
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	4 – 5
EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134	6 – 10
ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD	11 – 16



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

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30.09.2019 ⁽¹⁾ RM'000	Preceding Year Corresponding Quarter 30.09.2018 RM'000	Current Year Period 30.09.2019 ⁽¹⁾ RM'000	Preceding Year Corresponding Period 30.09.2018 RM'000
Revenue	21,175	30,001	72,277	87,043
Cost of sales	(16,848)	(21,330)	(52,493)	(61,885)
Gross profit ("GP")	4,327	8,671	19,784	25,158
Other income	29	-	561	945
Selling and distribution expenses	(4,208)	(5,321)	(13,807)	(15,383)
Administrative and other expenses	(6,278)	(2,532)	(10,956)	(8,670)
Finance costs	(765)	(809)	(2,379)	(2,533)
Gain/(Loss) before tax	(6,895)	9	(6,797)	(483)
Tax income/(expenses)	(110)	351	208	419
Profit/(Loss) after tax/ Total comprehensive income/(loss)	(7,005)	360	(6,589)	(64)
Profit/(Loss) for the financial period/ Total comprehensive income/(loss) attributable to:				
- Owners of Heng Huat	(6,977)	343	(6,576)	(93)
- Non-controlling interests	(28)	17	(13)	29
	(7,005)	360	(6,589)	(64)
Earnings/(Loss) per share attributable to owners of Heng Huat:				
- Basic(sen) ⁽²⁾	(2.05)	0.11	(1.94)	(0.03)
- 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 2018 and the accompanying explanatory notes attached to this interim financial report.

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



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

	As at 30.09.2019 ⁽¹⁾ RM'000 (unaudited)	As at 31.12.2018 RM'000 (audited)
Non-Current Assets		
Property, plant and equipment	87,313	92,864
Intangible assets	2,404	3,060
	89,717	95,924
Current Assets		
Inventories	12,979	13,127
Trade and other receivables	38,336	32,640
Cash and cash equivalents	4,181	10,180
	56,214	56,442
TOTAL ASSETS	145,931	152,366
Equity		
Share capital	40,538	40,538
Reorganisation reserve	(5,185)	(5,185)
Retained earnings	37,020	43,594
	72,373	78,947
Non-controlling interests	252	265
Total Equity	72,625	79,212
Non-Current Liabilities		
Borrowings	16,318	17,744
Deferred tax liabilities	788	1,114
	17,106	18,858
Current Liabilities		
Trade and other payables	23,630	25,245
Derivative liabilities	12	25
Current tax liabilities	-	26
Borrowings	32,558	29,000
	56,200	54,296
Total Liabilities	73,306	73,154
TOTAL EQUITY AND LIABILITIES	145,931	152,366
NET ASSETS PER SHARE (RM)⁽²⁾	0.206	0.225

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 2018 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 339,570,045 ordinary shares ("Shares").



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

	[----- Non-distributable -----]		Distributable	Total attributable to owners of the Parent	Non- controlling interests	Total equity
	Share capital RM'000	Reorganisation debit reserve RM'000	Retained earnings RM'000	RM'000	RM'000	RM'000
At 1 January 2019	40,538	(5,185)	43,596	78,949	265	79,214
Total comprehensive loss for the financial period	-	-	(6,576)	(6,576)	(13)	(6,589)
At 30 September 2019	40,538	(5,185)	37,020	72,373	252	72,625
At 1 January 2018	36,324	(5,185)	48,189	79,328	482	79,810
Adjustment of MFRS recognition:						
- MFRS 9			(732)	(732)	-	(732)
- MFRS 15			(365)	(365)	-	(365)
Total comprehensive (loss)/income for the financial period	-	-	(93)	(93)	29	(64)
Dividend paid to non-controlling shareholders of a subsidiary	-	-	-	-	(240)	(240)
At 30 September 2018	36,324	(5,185)	46,999	78,138	271	78,409

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 2018 and the accompanying explanatory notes attached to this interim financial report.



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

	Year-to-date ended	
	30.09.2019 RM'000	30.09.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(6,797)	(483)
<u>Adjustments for:</u>		
Amortisation of intangible assets	750	898
Depreciation of property, plant and equipment	6,944	7,770
Fair value adjustment on derivative instruments	(14)	364
Gain on disposal of property, plant and equipment	(68)	(134)
Property, plant and equipment written-off	15	61
Intangible written off	94	-
Provision for impairment of receivables	3,120	4
Interest expense	2,379	2,533
Interest income	(27)	(57)
Unrealised gain on foreign exchange	402	(372)
	<hr/>	<hr/>
Operating profit before working capital changes	6,798	10,584
Decrease/(Increase) in inventories	148	(2,868)
(Increase)/Decrease in trade and other receivables	(9,217)	141
(Decrease)/Increase in trade and other payables	(1,613)	1,377
	<hr/>	<hr/>
Tax paid	(3,884)	9,234
	<hr/>	<hr/>
Net cash (used in)/from operating activities	(4,249)	8,612
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	27	57
Proceeds from disposal of property, plant and equipment	292	1,235
Purchase of property, plant and equipment	(1,821)	(3,395)
Changes in fixed deposits pledged with licensed banks	837	447
	<hr/>	<hr/>
Net cash used in investing activities	(665)	(1,656)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to non-controlling shareholders of a subsidiary	-	(240)
Interest paid	(2,379)	(2,533)
Net drawdown/repayment of bankers' acceptance	1,827	(3,260)
Net drawdown/repayment of term loans	192	(1,542)
Net repayment of hire purchase payables	(2,568)	(1,639)
	<hr/>	<hr/>
Net cash used in financing activities	(2,928)	(9,214)
Net changes in cash and cash equivalents	(7,842)	(2,258)
Effects of foreign exchange	(1)	(2)
Cash and cash equivalents at beginning of the financial period	(1,058)	(4,814)
	<hr/>	<hr/>
Cash and cash equivalents at end of the financial period	(8,901)	(7,074)



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

	Year-to-date ended	
	30.09.2019 RM'000	30.09.2018 RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	3,276	5,718
Fixed deposits pledged to financial institutions	905	1,956
	<hr/>	<hr/>
Less: Bank overdraft	4,181	7,674
Less: Fixed deposits pledged to financial institutions	(12,177)	(12,792)
	(905)	(1,956)
	<hr/>	<hr/>
	(8,901)	(7,074)
	<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 2018 and the accompanying explanatory notes attached to this interim financial report.

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



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

A1. BASIS OF PREPARATION

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

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

These unaudited interim financial statements should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2018 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 2018.

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 2018, 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 2019

- MFRS 16 Leases
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)
- Amendments to MFRS 112 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)
- Amendments to MFRS 119 (*Plan Amendment, Curtailment or Settlement*)
- Amendments to MFRS 123 (*Annual Improvements to MFRS Standards 2015 – 2017 Cycle*)
- Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*

The adoption of the above MFRS and Amendments to MFRSs did not have any significant financial impact to the Group, other as disclosed below:

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 2020

- Amendments to *References to the Conceptual Framework in MFRS Standard*
- Amendments to MFRS 3 *Definition of a Business*
- Amendments to MFRS 101 and MFRS 108 *Definition of Material*



A2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Effective for annual periods commencing on or after 1 January 2021

- MFRS 17 *Insurance Contracts*

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 2018 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

On 18 November 2019, on behalf of the Board of Directors of Heng Huat ("**Board**"), TA Securities Holdings Berhad ("**TA Securities**") wishes to announce that the Company proposes to undertake the following Proposals:

- (i) proposed consolidation of every 10 existing ordinary shares in Heng Huat ("**Heng Huat Shares**") into 1 new Heng Huat Share ("**Consolidated Share**") ("**Proposed Share Consolidation**"); and



A7. DEBTS AND EQUITY SECURITIES (cont'd)

- (ii) proposed renounceable rights issue of up to 237,699,028 new Heng Huat Shares (“**Rights Shares**”) on the basis of 7 Rights Shares for every 1 Consolidated Share held on an entitlement date to be determined later (“**Entitlement Date**”), together with up to 135,828,016 free detachable warrants (“**Warrants**”) on the basis of 4 Warrants for every 7 Rights Shares subscribed for (“**Proposed Rights Issue**”).

Save from the above, 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. (*FYE 30 September 2018: 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 or announced to the Bursa Securities.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

The Group, through Heng Huat Industries Holdings Sdn. Bhd. (“**HHIH**”), had on 5 September 2019 entered into a share sale agreement with Khor Chin Hock (“**KCH**”) to acquire 97% equity interests in Sabut Kelapa Terengganu Sdn Bhd representing 97 ordinary shares for a cash consideration of RM200,000.

Save for the above, 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 in the financial statements as at 30 September 2019 is as follows:

	As at 30.09.2019 RM’000
Property, plant and equipment	
Approved but not contracted for	-
Contracted but not provided for	3,605
	<u>3,605</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.

	Current quarter ended		Year-to-date ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
<i>Segment Revenue</i>				
Biomass materials and related products	18,383	26,324	65,289	75,164
Mattresses and related products	4,505	6,010	13,667	18,542
	22,888	32,334	78,956	93,706
Elimination of intragroup transactions	(1,713)	(2,333)	(6,679)	(6,663)
Revenue from external customers	21,175	30,001	72,277	87,043
<i>Segment Results</i>				
Biomass materials and related products	(6,092)	70	(5,229)	394
Mattresses and related products	(667)	188	(1,183)	64
	(6,759)	258	(6,412)	458
Unallocated corporate income and expenses(net)	(136)	3,631	(385)	10,819
Elimination of intragroup transactions and profits	-	(3,880)	-	(11,760)
Gain/(Loss) before tax of the Group	(6,895)	9	(6,797)	(483)

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



A13. SEGMENT INFORMATION (cont'd)

<u>Segment Assets</u>				
Biomass materials and related products	136,123	149,563	136,123	149,563
Mattresses and related products	13,368	18,609	13,368	18,609
	149,491	168,172	149,491	168,172
Tax assets	718	681	718	681
Unallocated assets	25,807	28,592	25,807	28,592
Elimination of intragroup balances and profits	(30,085)	(34,950)	(30,085)	(34,950)
Total assets of the Group	145,931	162,495	145,931	162,495
<u>Segment Liabilities</u>				
Biomass materials and related products	84,730	86,543	84,730	86,543
Mattresses and related products	12,424	16,136	12,424	16,136
	97,154	102,679	97,154	102,679
Tax liabilities	788	1,705	788	1,705
Unallocated liabilities	5,023	14,226	5,023	14,226
Elimination of intragroup balances and profits	(29,659)	(34,524)	(29,659)	(34,524)
Total liabilities of the Group	73,306	84,086	73,306	84,086

A14. RELATED PARTY TRANSACTIONS

	Current quarter ended		Year-to-date ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Renting of two storey office with single storey detached factory used for mattress production and warehouse	152	152	456	357
Renting of vacant land for placement of portable cabins used for staff accommodation	30	30	90	90

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

For the current quarter and financial period ended 30 September 2019, the Group recorded revenue of RM21.18 million and RM72.28 million respectively, representing decrease of approximately RM8.82 million or 29.40% and RM14.76 million or 16.96% respectively as compared to the preceding year corresponding quarter and period.

Current Quarter Under Review/Financial Period Under Review

The moderation of sales performance was primarily attributable to the following factors:

- i. Decrease in sales volume of oil palm EFB fibre, where total quantities sold during the current quarter and financial period under review has reduced by approximately 32.83% and 14.91% respectively as compared to the preceding year corresponding quarter and period. The decrease mainly due to the Group had on 11 December 2018, disposed a wholly-own subsidiary, HK Palm Fibre Manufacturer Sdn. Bhd.
- ii. Decrease in average selling price of oil palm EFB fibre, which average selling price sold during the current quarter and financial period under review has reduced by approximately 15.99% and 5.57% respectively as compared to the preceding year corresponding quarter and period.

However, the moderation of sales performance was partially offset by the increase in sales volume of bio-oil, which has improved approximately 4.49% and 13.49% respectively as compared to the preceding year corresponding quarter and period.

Profit/(Loss) Before Tax

Our Group reported a loss before tax of approximately RM6.90 million and RM6.80 million respectively for the current quarter and financial period respectively.

The moderation of financial performance for the current and financial year under review, as compared to the preceding year corresponding quarter and preceding year, was primarily due to provision for impairment of receivables under oil palm EFB fibre division.

Profit/(Loss) After Tax

Our Group recorded a net loss of approximately RM7.01 million and RM6.59 million respectively for the current quarter and financial period, as compared to a net profit of RM0.36 million and net loss RM0.06 on the preceding year corresponding quarter and period, in line with sales and profit and loss explained above.



B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current quarter ended 30.09.2019	Preceding quarter ended 30.06.2019
	RM'000	RM'000
(Loss)/Gain before tax	<u>(6,895)</u>	<u>203</u>

Our Group recorded a loss before tax of approximately RM6.70 million for the current quarter ended 30 September 2019, as compared to a profit before tax of RM0.20 million. This was primarily due to the following factor:

- (i) Moderation of sales performance mainly due to softer demand from market;
- (ii) Disposal of subsidiary company HK Palm Fibre Manufacturer Sdn. Bhd.; and
- (iii) Provision for impairment of receivables under oil palm EFB fibre division.

B3. PROSPECTS

Moving forward, our Group expect the orders for oil palm EFB fibre from China, being the primary market, will experience greater degree of volatility as gradual slowdown in economic growth is expected to continue. Authorities in China have shifted to looser monetary and fiscal policies in response to a more challenging external environment, including heightened trade tensions. They have cut reserve requirements, reduced taxes and fees, increased export tax rebates, and accelerated issuance of special purpose local government bonds to bolster infrastructure spending (*Source: Global Economic Prospects – January 2019, World Bank Group*).

As an attempt to mitigate the gradual slowdown in economic growth of China, our Group is focusing on the market coverage expansion to the rest of the Asia region besides China. 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.

The Board will monitor the market development closely, and ensure that prompt actions are taken in response to the changes. Moreover, the Board will, from time to time, identify appropriate new business venture/ opportunity to enhance and expand the Group's revenue base and source.

The Group expects 2019 to be a challenging year.

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 INCOME

	Current quarter ended 30.09.2019 RM'000	Year-to-date ended 30.09.2019 RM'000
Current tax income/(expense)	5	(118)
Deferred tax (expense)/income	(115)	326
Total tax income	(110)	208

Our Group recorded total tax income of approximately RM208,000 during the current quarter and financial period under review was primarily due to deferred tax asset recognised in relation to the losses incurred by the Group's operating subsidiaries. The prevailing statutory tax rate applicable to the Group is 24%.

B6. STATUS OF CORPORATE PROPOSALS

(i) Proposed Private Placement

Gross Proceeds from public issue of 30,870,000 new Shares in conjunction with the private placement of the Company on 20 December 2018.

As at 30 June 2019, the gross proceeds from public issue had been fully utilised in the following manner:

Purpose	Intended Time frame for Utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation	
				RM'000	%
i. Payment to trade and other payables	Within 12 months	2,575	2,575	-	-
ii. Staff-related costs such as staff salaries, bonuses, statutory contribution and welfare expenses	Within 12 months	858	858	-	-
iii. General administrative and operating expenses such as rental, utilities, telephone and sundry expenses	Within 12 months	858	858	-	-
Total		4,291	4,291	-	-

(ii) Proposed Acquisition of Land

On 31 December 2018, the Company had announced that HK Kitaran Sdn Bhd ("HKKSB"), a wholly-owned subsidiary of HHIH who in turn is a wholly-owned subsidiary of the Company, had entered into a conditional sale and purchase agreement with HK Alliance Sdn Bhd ("HKASB") for the proposed acquisition of a piece of freehold industrial land measuring 9,147 square meter located at Sungai Baong, Seberang Perai Selatan, Negeri Pulau Pinang for a cash consideration of RM3,800,000 ("Proposed Acquisition"). Relevant details on the Proposed Acquisition had been announced to the Bursa Securities.



(ii) Proposed Acquisition of Land (cont'd)

Barring any unforeseen circumstances and subject to the conditions of sale being satisfied, the Proposed Acquisition is expected to be completed by the end of 2019.

(ii) Proposed Rights Issue

On 18 November 2019, on behalf of the Board, TA Securities announced that the Company proposed to undertake the following:

- (i) Proposed share consolidation. Details are disclosed under Note A7 (i); and
- (ii) Proposed Rights issue. Details are disclosed under Note A7 (ii).
(Collectively, the "proposals")

B7. BORROWINGS

The Group's borrowings as at 30 September 2019 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	13,905	-	13,905
Bank overdrafts	12,177	-	12,177
Hire purchase payables	2,587	3,109	5,696
Term loans	3,890	13,209	17,099
Total Borrowings	32,558	16,318	48,877

All the borrowings are denominated in Ringgit Malaysia (RM), and obtained from financial institutions based in Malaysia.

B8. EARNINGS PER SHARE

Basic Earnings per Share ("BEPS")

	Current quarter ended		Year-to-date ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Basic earnings per share				
(Loss)/Profit attributable to equity holders of the parent	(6,977)	343	(6,576)	2,779
Weighted average number of ordinary shares in issue ('000)	339,570	308,700	339,570	308,700
BEPS (sen)	(2.05)	0.11	(1.94)	0.90

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 2019.



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 SELECTED INCOME/EXPENSE ITEMS

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

	Current quarter ended 30.09.2019 RM'000	Year-to-date ended 30.09.2019 RM'000
Interest income	8	27
Other income including investment income	88	222
Interest expense	(765)	(2,379)
Depreciation expenses	(2,314)	(6,944)
Amortisation expenses	(253)	(750)
Bad debts written-off	-	-
Net foreign exchange loss	(498)	(402)
(Loss)/Gain on disposal of property, plant and equipment	(5)	68
Fair value (loss)/gain on derivative instruments	(33)	14
Reversal of impairment of receivables	-	100
Property, plant and equipment written off	(4)	(15)
Provision for doubtful debts and write-off of receivables	(3,220)	(3,220)
Intangible assets written off	(94)	(94)
Impairment of assets	-	-
Provision for and write off of inventories	-	-
Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-
Exceptional items	-	-

B11. 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 2019, the Group have the following outstanding forward currency contracts:

Type of Derivatives	[-Contract/ Notional Value-]		Fair value as at 30.09.2019
	USD'000	RM'000 equivalent	RM'000
Forward Foreign Currency Contracts			
- Less than 1 year	1,100	4,596	(12)
	1,100	4,596	(12)



B11. FINANCIAL INSTRUMENTS (cont'd)

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.

There is no change to the policies in relation to the derivatives since the last financial year ended 31 December 2018 in respect of the followings:

- (i) the credit risk market risk and liquidity risk associated with the derivatives;
- (ii) the cash requirements of the derivatives;
- (iii) the policies in place for mitigating or controlling the risks associated with the derivatives;
and
- (iv) the related accounting policies.

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

The Group recorded net fair value gain of approximately RM13,000 during the financial period under review, as a result of reversal of derivative asset 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 30 September 2019.