



SALUTICA BERHAD

(Company No. 1024781-T)
(Incorporated in Malaysia under the Companies Act, 1965)

The Board of Directors of Salutica Berhad (“**Salutica**” or the “**Company**”) (“**Board**”) is pleased to announce the following unaudited consolidated results for the second quarter and financial period ended (“**FPE**”) 31 DECEMBER 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND FPE 31 DECEMBER 2016

		Current quarter 3 months ended		Cumulative quarter 6 months ended	
	Note	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Revenue	A9	90,795	67,997	163,863	131,684
Profit from operations		13,898	11,821	21,648	22,263
Finance costs		(94)	(266)	(206)	(284)
Profit before taxation		13,804	11,555	21,442	21,979
Income tax expense	B5	(3,194)	(3,181)	(5,315)	(5,659)
Profit for the period	B1	10,610	8,374	16,127	16,320
Other comprehensive income, net of taxation		-	-	-	-
Total comprehensive income for the period/year		10,610	8,374	16,127	16,320
Profit and total comprehensive income attributable to:					
Owners of the Company		10,610	8,374	16,127	16,320
Non-controlling interest		-	-	-	-
Total comprehensive income for the period		10,610	8,374	16,127	16,320
Earnings per share					
Basic (Sen)	B15	2.73	2.70	4.16	5.26

Note:

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is unaudited and should be read in conjunction with the audited financial statements of the Company for the financial year ended (“**FYE**”) 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

SALUTICA BERHAD

(Company No. 1024781-T)
(Incorporated in Malaysia under the Companies Act, 1965)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Note	As at 31.12.2016 RM'000	As at 30.6.2016 RM'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		43,870	40,096
Intangible assets		1,643	2,191
Other investments		119	119
Deferred tax assets		-	172
		45,632	42,578
Current assets			
Inventories		35,800	34,289
Trade and other receivables		32,161	28,402
Derivative financial instruments		-	113
Current tax assets		-	21
Short term investment		45,816	57,733
Deposits, bank and cash balances		56,921	40,163
		170,698	160,721
TOTAL ASSETS		216,330	203,299
EQUITY AND LIABILITIES			
Equity			
Share capital		38,800	38,800
Share premium		53,002	53,002
Reserves		74,650	63,179
Total equity attributable to owners of the Company		166,452	154,981
Non-controlling interests		-	-
TOTAL EQUITY		166,452	154,981
Non-current liabilities			
Borrowings	B10	1,492	3,382
Deferred Tax Liability		1,482	-
		2,974	3,382
Current liabilities			
Payables and accruals		39,422	40,500
Derivative financial instruments		303	46
Borrowings	B10	4,113	4,390
Current tax liabilities		3,066	0
		46,904	44,936
TOTAL LIABILITIES		49,878	48,318
TOTAL EQUITY AND LIABILITIES		216,330	203,299
Net assets per ordinary share attributable to ordinary equity holders of the Company (Sen)		42.90	39.94

Note:

The Condensed Consolidated Statement of Financial Position is unaudited and should be read in conjunction with the audited financial statements of the Company for FYE 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER AND FPE 31 DECEMBER 2016

	<----- Attributable to owners of the Company ----->				
	<----- Non Distributable Reserve ----->			<- Distributable ->	
	Share capital RM'000	Share premium RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 July 2016	38,800	53,002	16	63,163	154,981
Total comprehensive income for the year	-	-	-	16,127	16,127
Issue of share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Dividends	-	-	-	(4,656)	(4,656)
At 31 December 2016	38,800	53,002	16	74,634	166,452
At 1 July 2015	31,000	-	16	45,166	76,182
Total comprehensive income for the year	-	-	-	16,320	16,320
Issue of share capital	-	-	-	-	-
Bonus issue	-	-	-	-	-
Dividends	-	-	-	(2,000)	(2,000)
At 31 December 2015	31,000	-	16	59,486	90,502

Note:

The Condensed Consolidated Statement of Changes in Equity is unaudited and should be read in conjunction with the audited financial statements of the Company for FYE 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED CASH FLOWS STATEMENT FOR THE SECOND QUARTER AND FPE 31 DECEMBER 2016

	Current Quarter Ended 31.12.2016 RM'000	Preceding year corresponding quarter ended 31.12.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	16,127	16,320
Adjustments:		
- Depreciation of property, plant and equipment	3,196	3,142
- Gain on disposal of property, plant and equipment	(6)	(3)
- Write off property, plant and equipment	5	17
Amortised / (Capitalisation) of development costs	548	-
Finance costs	206	284
Finance income	(726)	(545)
Short term investment		
- Gain on disposal	(38)	(2)
- Fair value changes	(783)	(2)
Inventories		
- Allowance / (reversal) for slow moving	3	13
Provision	25	29
Gain from early settlement of finance lease	-	(1,149)
Taxation (income)/expenses	5,315	5,659
Fair value (gain)/loss on derivative financial instruments	371	(147)
Unrealised loss/(gain) on foreign exchange	(90)	(177)
Operating profit before changes in working capital	24,153	23,439
Changes in working capital:		
Inventories	(1,515)	(12,257)
Trade and other receivables	(2,895)	(12,318)
Trade and other payables	(1,902)	3,972
Cash generated from operations	17,841	2,836
Income tax paid	(574)	(140)
Net cash generated from operating activities	17,267	2,696
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	B6 (6,975)	(3,573)
Proceeds from disposal of plant and equipment	5	3
Interest received	726	545
Uplift/(placement) of deposit with bank with maturity period of more than three months	(10,000)	8,800
Purchase of short term investment	(9,600)	(1,900)
Proceeds from sale of short term investment	22,338	1,202
Net investing cash flow	(3,506)	5,077
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire-purchase creditor	(466)	(207)
Repayment of term loans	(1,700)	(444)
Uplift of deposits with bank as security	5,000	1,500
Interest paid	(206)	(284)
Dividend paid	(4,656)	(2,000)
Net cash from/(used in) financing activities	(2,028)	(1,435)



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CONDENSED CONSOLIDATED CASH FLOWS STATEMENT FOR THE SECOND QUARTER AND FPE 31 DECEMBER 2016

	Current Quarter Ended 31.12.2016 RM'000	Preceding year corresponding quarter ended 31.12.2015 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,733	6,338
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	35,163	25,918
Effect of change in foreign currency exchange rates	25	64
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	46,921	32,320
Cash and cash equivalents comprise:		
Short-term deposits with licensed banks	27,700	26,200
Cash and bank balances	19,221	6,120
	46,921	32,320
Deposits with maturity more than 3 months	10,000	5,000
	56,921	37,320

Note:

The Condensed Consolidated Cash Flows Statement is unaudited and should be read in conjunction with the audited financial statements of the Company for FYE 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS SECOND QUARTER ENDED 31 DECEMBER 2016

A COMPLIANCE WITH MALAYSIA FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING AND THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) (“LISTING REQUIREMENTS”)

A1 Basis of preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Rule 9.22 and Appendix 9B of the Listing Requirements.

These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Company for FYE 30 June 2016 and the accompanying explanatory notes therein. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of Salutica and its subsidiary (“Group”) since the FYE 30 June 2016.

Companies Act 2016

The Companies Act 2016 (“New Act”) was enacted to replace the Companies Act 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act is not expected to have any financial impact on the Group and on the Company for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 30 June 2017.

A2 Changes in accounting policies

The significant accounting policies adopted in these quarterly financial statements are consistent with those adopted as disclosed in the audited financial statements of the Group for FYE 30 June 2016.

New standards, amendments to published standards and Issue Committee (“IC”) interpretations to existing standards that are applicable to the group and are effective

There are no new standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group for the current financial period.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2016

A2 Changes in accounting policies (cont'd)

New standards early adopted by the Group

There are no standards early adopted by the Group.

New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group but not yet effective

The Group will apply the new standards, amendments to published standards and IC interpretations in the following financial period:

Effective for the financial year beginning on/after 1 July 2016

- Amendments to MFRS 116 and MFRS 138 "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Amendments to MFRS 127 "Separate Financial Statements – Equity Accounting in Separate Financial Statements"
- Amendments to MFRS 101 "Presentation of Financial Statements – Disclosure Initiative"
- Amendments to MFRS 10, 12 & 128 "Investment entities – Applying the Consolidation Exception"
- Annual Improvements to MFRSs 2012 – 2014 Cycle (Amendments to MFRS 5 "Non-current Assets Held for sale and Discontinued Operations", MFRS 7 "Financial Instruments: Disclosures" and MFRS 134 "Interim Financial Reporting")

Effective for the financial year beginning on/after 1 July 2017

- Amendments to MFRS 107 "Statement of Cash Flows – Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses"

Effective for the financial year beginning on/after 1 July 2018

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- Annual Improvements to MFRSs 2014 – 2016 Cycle (Amendments to MFRS 128 "Investments in Associates and Joint Ventures")
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

Effective for the financial year beginning on/after 1 July 2019

- MFRS 16 "Leases"

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A2 Changes in accounting policies (cont'd)

New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group but not yet effective (cont'd)

The initial application of the above mentioned standards and amendments are not expected to have any material financial impacts to the current and prior periods' financial statements of the Group except as the mentioned below:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The Group is currently assessing the financial impact that may arise from the adoption of these standards.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the preceding audited financial statements of the Group for the FYE 30 June 2016 was not subject to any qualification.

A4 Seasonal or cyclical factors

The operations of the Group during the current quarter as compared to the preceding quarter are also subject to seasonal factors due to the increase in demand for consumer electronic products during the year-end holiday period in many countries globally.

A5 Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter.

A6 Changes in estimates

There were no material changes in estimates of amounts reported in prior interim period or financial year that have a material effect in the current quarter.

A7 Changes in debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter.



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A8 Dividends paid

The following dividend was paid during the FPE 31 December 2016:

	FPE 31.12.2016 RM'000
First interim single-tier tax exempt dividend in respect of FYE 30 June 2017 of 0.6 sen per share declared on 15 August 2016 and paid on 30 September 2016 (based on 388,000,000 shares)	2,328
Second interim single-tier tax exempt dividend in respect of FYE 30 June 2017 of 0.6 sen per share declared on 24 November 2016 and paid on 23 December 2016 (based on 388,000,000 shares)	2,328
	4,656

In addition, the dividend paid for the previous FPE 31 December 2015 is as follows:

	FPE 31.12.2015 RM'000
First interim single-tier tax exempt dividend in respect of FYE 30 June 2016 of 0.645 sen per share declared on 12 October 2015 and paid on 23 October 2015 (based on 310,000,000 shares)	2,000
	2,000

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NOTES TO THE INTERIM FINANCIAL STATEMENTS SECOND QUARTER ENDED 31 DECEMBER 2016

A9 Operating segments

The principal activities of the Group comprises vertical integration processes covering product design and development, and manufacturing of mobile communication products, wireless electronics and lifestyle devices. Operating segment information has therefore not been prepared as the Group's revenue and operating profit before taxation are mainly confined to one operating segment.

In presenting information on the basis of geographical segments, segment revenue is based on geographical markets where the goods are delivered rather than the origin of the customers as follows:

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
North America	72,642	62,151	130,249	120,224
Europe	8,838	1,993	15,056	3,254
Australia (including New Zealand, Oceania)	765	13	1,482	66
Asia (excluding Malaysia)	8,169	3,722	16,116	7,506
Africa (including Middle East)	6	11	8	21
Malaysia	375	107	952	613
Total	90,795	67,997	163,863	131,684

A10 Valuation of property, plant and equipment

There were no valuations of property, plant and equipment during the current quarter under review.

A11 Material events subsequent to the end of the current quarter

There were no material events subsequent to the end of the current quarter that have not been reflected in these interim financial statements.

A12 Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter.

A13 Contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets as at the date of this interim financial report.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS SECOND QUARTER ENDED 31 DECEMBER 2016

A14 Capital commitments

Capital commitments in respect of property, plant and equipment not provided for in the financial statements are as follows:

	As at
	31.12.2016
	RM'000
Contracted	369
Authorised but not contracted	17,677
	18,046

A15 Significant related party transactions

	6 months ended
	31.12.2016
	RM'000
Consultancy fee paid/payable	
- With a person connected with directors of the Company	15
- With firms in which certain directors of the Company are members of the respective firms	-
	15

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NOTES TO THE INTERIM FINANCIAL STATEMENTS SECOND QUARTER ENDED 31 DECEMBER 2016

B COMPLIANCE WITH APPENDIX 9B OF THE LISTING REQUIREMENTS

B1 Review of performance

Current quarter vs. corresponding quarter

The Group recorded revenue of approximately RM90.8 million for current quarter ended 31 December 2016, an increase of approximately 33.5% compared to the previous quarter ended 31 December 2015 of approximately RM68.0 million.

The major contributor to revenue for the current quarter was Bluetooth headsets amounting to approximately RM88.0 million compared to the previous corresponding quarter of approximately RM62.3 million, an increase of approximately 41.3%.

Profit before taxation (“**PBT**”) for current quarter ended 31 December 2016 was approximately RM13.8 million, an increase of approximately RM2.2 million compared to the previous quarter ended 31 December 2015 of approximately RM11.6 million. This was mainly contributed by the following:

- Higher sales ahead of the year-end holiday seasons in many countries globally.
- Better absorption of fixed costs arising from the higher volume of production to meet year-end demand.
- Evaluation and testing costs of new products have tapered down in the current quarter as they move to stable mass production cycle, ie, less usage of materials and labour for evaluation as process efficiency improves.

Current year-to-date vs. corresponding period

The Group recorded revenue of approximately RM163.9 million for the 6-month FPE 31 December 2016, an increase of approximately 24.4% compared to the previous 6-month FPE 31 December 2015 of approximately RM131.7 million. This increase was mainly contributed by Bluetooth headsets.

Despite the increase in revenue, the PBT for the FPE 31 December 2016 decreased slightly from RM21.9 million in FPE 31 December 2015 to approximately RM21.4 million in FPE 31 December 2016.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS SECOND QUARTER ENDED 31 DECEMBER 2016

B2 Comment on material change in profit before taxation ("PBT")

	Current Quarter 31.12.2016 RM'000	Preceding Quarter 30.09.2016 RM'000	Variance RM'000	%
Revenue	90,795	73,068	17,727	+24.3%
PBT	13,804	7,638	6,166	+80.7%

The Group's revenue for the current quarter was higher at 24.3% as compared to the preceding quarter contributed by higher demand ahead of the year-end holiday season.

The current quarter ended 31 December 2016 reflected a higher PBT mainly due to the higher sales and also better absorption of fixed overhead costs.

B3 Prospects

The Group continues to leverage on its proven track record, experience and technical capabilities to secure more business. With its R&D capabilities and long term relationship with its existing customers, the Group expects to grow and expand in tandem with its customers as they seek to expand their global customer reach and market presence. Further, the Group will continue growing its in-house *FOBO* branded line of products.

Presently, the Group is continuingly involved in the design, development and manufacturing of a USB-powered device that adds touchscreen functionality to a non-touch laptop screen. This is a new product category which the Group aims to grow in near future.

Premised on the above, the Board is of the opinion that the Group's financial performance and prospects for the FYE 30 June 2017 will remain favourable.

B4 Variance between actual profit and forecast profit

The Group has not provided any revenue or profit forecast in any public documents and announcements.

B5 Taxation

	3 months ended		6 months ended	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Income tax				
Current year	3,495	55	3,661	131
Prior year	-	-	-	-
	3,495	55	3,661	131
Deferred tax				
Current year	(301)	3,126	1,654	5,528
Prior year	-	-	-	-
	3,194	3,181	5,315	5,659



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NOTES TO THE INTERIM FINANCIAL STATEMENTS SECOND QUARTER ENDED 31 DECEMBER 2016

B5 Taxation (cont'd)

Income tax is calculated at the Malaysia statutory tax rate of 24% of the estimated assessable profit for the current quarter and current financial year.

The effective tax rate of the Group for the current quarter was slightly lower than the Malaysia statutory tax rate due mainly to certain qualifying capital expenditure being deductible for tax purposes.

B6 Unquoted investments and properties

There were no purchases or sales of unquoted investment or properties for the current quarter.

B7 Quoted securities

There were no acquisitions or disposals of quoted securities for the current quarter.

B8 Status of corporate proposals

Save as disclosed below, there is no corporate proposal announced but pending completion as at the date of this report:-

On 30 September 2016, Salutica announced that it proposes to undertake the proposed transfer of the listing of and quotation for the entire issued and paid-up share capital of Salutica from the ACE Market to the Main Market of Bursa Securities which is currently pending approval from the authorities.

B9 Utilisation of proceeds from the IPO

Based on the IPO price of RM0.80, the gross proceeds arising from the public issue amounting to RM62.4 million is intended to be utilised in the following manner:

Details of utilisation	Intended utilisation (RM'000)	Actual utilisation as at 31.12.2016 (RM'000)	Deviation (RM'000)	Balance (RM'000)	Intended timeframe for utilisation (from date of listing)
Repayment of bank borrowing	8,500	8,500	-	-	Within 6 months
Capital expenditure	25,000	6,795	-	18,205	Within 24 months
R&D expenditure	8,200	2,029	-	6,171	Within 24 months
Working capital	16,700	11,385	-	5,315	Within 24 months
Estimated listing expenses	4,000	4,000	-	-	Within 3 months
Total	62,400	32,709	-	29,691	

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 28 April 2016.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS SECOND QUARTER ENDED 31 DECEMBER 2016

B10 Borrowings and debt securities

The Group's loans and borrowings as at **31 December 2016** are as follows:

	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
<u>Secured</u>			
Hire Purchase	981	810	1,791
Term loans	2,900	-	2,900
<u>Unsecured</u>			
Term loans	232	682	914
	4,113	1,492	5,605

All the borrowings are denominated in Ringgit Malaysia.

B11 Derivative financial instruments

As at the date of the statement of financial position 31 December 2016, the Group has the following outstanding derivative financial instruments:

Derivatives	Contract or Notional Amount (RM'000)	Fair value Net gain / (loss) (RM'000)
Currency forward contracts: Less than 1 year	7,782	(303)

For the current quarter, there is no change to the Group's financial risk management policies and objectives in managing these derivative financial instruments and its related accounting policies. Foreign currency forward contracts are entered into by the Group in currencies other than its functional currency to manage exposure to the fluctuations in foreign currency exchange rates.

B12 Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet risk as at the end of the current quarter to the date of the interim financial report.

B13 Material litigation

As at the date of this report, there is no litigation against the Group which has a material effect on the financial position of the Group and the Board is not aware of any material litigation or any proceedings pending or threatened or of any fact likely to give rise to any proceedings.



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B14 Proposed dividend

The Board has on 20 February 2017 declared a third interim single tier tax-exempt dividend in respect of the financial year ending 30 June 2017 of 0.6 sen per share on 388 million ordinary shares amounting to RM2.328 million. The entitlement date will be 15 March 2017 and payment date on 31 March 2017.

B15 Earnings per Share ("EPS")

BASIC EPS	3 months ended		6 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Profit attributable to owners of the Company (RM'000)	10,610	8,374	16,127	16,320
Weighted average number of ordinary shares in issue ('000)	388,000	310,000	388,000	310,000
Basic EPS (sen)	2.73	2.70	4.16	5.26

There was no dilution in the EPS as there was no potential diluted ordinary share outstanding as at the end of the current period under review.

B16 Disclosure of realised and unrealised profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits of the Group:		
Realised	57,331	38,261
Unrealised	(710)	3,212
	56,621	41,473
Add: Consolidation adjustments	18,013	18,013
Total	74,634	59,486

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NOTES TO THE INTERIM FINANCIAL STATEMENTS SECOND QUARTER ENDED 31 DECEMBER 2016

B17 Notes to the Statement of Comprehensive Income

	3 months ended 31.12.2016 RM'000	6 months ended 31.12.2016 RM'000
Profit from operations for the period/year is arrived at after charging/(crediting):		
Allowance for slow moving inventories	(1)	3
Depreciation of property, plant and equipment	1,622	3,196
Provision for warranty	11	25
Rental expenses		
- Hostel	10	19
- equipment/machinery	14	28
Finance costs	94	206
Net foreign exchange (gain)/losses		
- realised	(1,531)	(1,889)
- unrealised	(90)	(90)
Fair value (gains)/losses on derivative financial instruments	276	371
Gain on disposal of property, plant & equipment	(1)	(5)
Rental income	-	(12)
Finance income	(349)	(726)
Fair value gain on short term investment	(366)	(783)
Gain on disposal of short term investment	(15)	(38)

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements are not applicable.

B18 Authorisation for issue

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 20 February 2017.