



SALUTICA BERHAD

(Company No. 1024781-T)
(Incorporated in Malaysia)

The Board of Directors of Salutica Berhad (“**Salutica**” or the “**Company**”) (“**Board**”) is pleased to announce the following unaudited consolidated results for the first quarter and financial period ended (“**FPE**”) 30 SEPTEMBER 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER AND FPE 30 SEPTEMBER 2018

| | Note | Current quarter 3 months ended | | Cumulative 3 months ended | |
|---|------------|-----------------------------------|----------------------|------------------------------|----------------------|
| | | 30.09.2018 RM'000 | 30.09.2017 RM'000 | 30.09.2018 RM'000 | 30.09.2017 RM'000 |
| Revenue | A9 | 56,716 | 83,799 | 56,716 | 83,799 |
| Profit from operations | | 3,029 | 8,595 | 3,029 | 8,595 |
| Finance costs | | (10) | (45) | (10) | (45) |
| Profit before taxation | | 3,019 | 8,550 | 3,019 | 8,550 |
| Income tax expense | B5 | (684) | (2,097) | (684) | (2,097) |
| Profit for the period | B1 | 2,335 | 6,453 | 2,335 | 6,453 |
| Other comprehensive income, net of taxation | | - | - | - | - |
| Total comprehensive income for the period | | 2,335 | 6,453 | 2,335 | 6,453 |
| Profit and total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 2,335 | 6,453 | 2,335 | 6,453 |
| Non-controlling interest | | - | - | - | - |
| Total comprehensive income for the period | | 2,335 | 6,453 | 2,335 | 6,453 |
| Earnings per share | | | | | |
| Basic (Sen) | B15 | 0.60 | 1.66 | 0.60 | 1.66 |

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 2018 and the accompanying explanatory notes attached to the interim financial statements.

SALUTICA BERHAD

(Company No. 1024781-T)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

| | Note | As at 30.09.2018 RM'000 (Unaudited) | As at 30.6.2018 RM'000 (audited) |
|--|------------|--|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 40,746 | 41,446 |
| Intangible assets | | 1,005 | 1,044 |
| Other investments | | 119 | 119 |
| | | 41,870 | 42,609 |
| Current assets | | | |
| Inventories | | 40,397 | 33,366 |
| Trade and other receivables | | 36,548 | 24,487 |
| Derivative financial instruments | | 2 | - |
| Current tax assets | | 1,531 | 1,173 |
| Short term investment | | 59,479 | 60,863 |
| Deposits, bank and cash balances | | 30,796 | 30,249 |
| | | 168,753 | 150,138 |
| TOTAL ASSETS | | 210,623 | 192,747 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 91,802 | 91,802 |
| Reserves | | 75,278 | 75,271 |
| Total equity attributable to owners of the Company | | 167,080 | 167,073 |
| Non-controlling interests | | - | - |
| TOTAL EQUITY | | 167,080 | 167,073 |
| Non-current liabilities | | | |
| Borrowings | B10 | 248 | 313 |
| Deferred Tax Liability | | 1,093 | 1,000 |
| | | 1,341 | 1,313 |
| Current liabilities | | | |
| Payables and accruals | | 41,676 | 23,632 |
| Derivative financial instruments | | 197 | 188 |
| Borrowings | B10 | 329 | 541 |
| | | 42,202 | 24,361 |
| TOTAL LIABILITIES | | 43,543 | 25,674 |
| TOTAL EQUITY AND LIABILITIES | | 210,623 | 192,747 |
| Net assets per ordinary share attributable to ordinary equity holders of the Company (Sen) | | 43.06 | 43.06 |

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 2018 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 CHANGES IN EQUITY FOR THE FIRST QUARTER AND FPE 30 SEPTEMBER 2018

| | <----- Attributable to owners of the Company -----> | | | <- Distributable -> | |
|---|---|----------------------------|------------------------------------|-------------------------------|-----------------|
| | Share capital RM'000 | Share premium RM'000 | Fair value reserve RM'000 | Retained profits RM'000 | Total RM'000 |
| At 1 July 2018 | 91,802 | - | 16 | 75,255 | 167,073 |
| Total comprehensive income for the year | - | - | - | 2,335 | 2,335 |
| Dividends | - | - | - | (2,328) | (2,328) |
| At 30 September 2018 | 91,802 | - | 16 | 75,262 | 167,080 |
| At 1 July 2017 | 91,802 | - | 16 | 73,205 | 165,023 |
| Total comprehensive income for the year | - | - | - | 6,453 | 6,453 |
| Dividends | - | - | - | (2,328) | (2,328) |
| At 30 September 2017 | 91,802 | - | 16 | 77,330 | 169,148 |

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 2018 and the accompanying explanatory notes attached to the interim financial statements.

* The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorized share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM53,002,368 for purposes as set out in Sections 618 (3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Accordingly, the share premium account of RM53,002,368 has been reclassified to share capital account.



SALUTICA BERHAD

(Company No. 1024781-T)
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CONDENSED CONSOLIDATED CASH FLOWS STATEMENT FOR THE FIRST QUARTER AND FPE 30 SEPTEMBER 2018

| | Note | Current Quarter Ended 30.09.2018 RM'000 | Preceding year corresponding quarter ended 30.09.2017 RM'000 |
|--|------|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net profit for the financial period | | 2,335 | 6,453 |
| Adjustments for: | | | |
| Property, plant and equipment | | | |
| - depreciation | | 1,369 | 1,902 |
| - gains on disposal | | - | (1) |
| - write off | | 2 | - |
| Bad debts written off | | 9 | - |
| Capitalisation of development costs | | (42) | (95) |
| Amortisation of development costs | | 81 | 508 |
| Short term investment | | | |
| - Gain on disposal | | (20) | (51) |
| - Fair value gain | | (526) | (230) |
| Finance costs | | 10 | 45 |
| Interest income | | (270) | (362) |
| Inventories | | | |
| - Allowance / (reversal) for slow moving | | (790) | (7) |
| Provision | | 8 | 9 |
| Unrealised (gain)/loss on foreign exchange | | 35 | 411 |
| Fair value (gain)/loss on derivative financial instruments | | 8 | (97) |
| Taxation (income)/expenses | | 684 | 2,097 |
| Operating profit before changes in working capital | | 2,893 | 10,582 |
| Changes in working capital: | | | |
| Inventories | | (6,240) | (15,005) |
| Trade and other receivables | | (11,704) | (33,317) |
| Trade and other payables | | 17,621 | 30,009 |
| Cash generated from operations | | 2,570 | (7,731) |
| Income tax paid | | (949) | (1,117) |
| Income tax refund | | - | - |
| Net cash generated from operating activities | | 1,621 | (8,848) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | B6 | (666) | (2,539) |
| Proceeds from disposal of plant and equipment | | 0 | 1 |
| Interest income received | | 270 | 362 |
| (Placement)/uplift of deposit with bank with maturity period of more than three months | | - | (10,000) |
| Purchase of short term investment | | (12,160) | (19,360) |
| Proceeds from sale of short term investment | | 14,090 | 42,511 |
| Net investing cash flow | | 1,534 | 10,975 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | (2,328) | (2,328) |
| Repayment of hire-purchase creditor | | (216) | (248) |
| Repayment of term loans | | (61) | (893) |
| Uplift of deposits with bank as security | | - | - |
| Interest paid | | (10) | (45) |
| Net cash from/(used in) financing activities | | (2,615) | (3,514) |



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CONDENSED CONSOLIDATED CASH FLOWS STATEMENT FOR THE FIRST QUARTER AND FPE 30 SEPTEMBER 2018

| | Current Quarter Ended 30.09.2018 RM'000 | Preceding year corresponding quarter ended 30.09.2017 RM'000 |
|--|---|--|
| Note | | |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 540 | (1,387) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 1,049 | 30,051 |
| Effect of change in foreign currency exchange rates | 7 | (36) |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 1,596 | 28,628 |
| Cash and cash equivalents comprise: | | |
| Short-term deposits with licensed banks | - | 25,500 |
| Cash and bank balances | 1,596 | 3,128 |
| | 1,596 | 28,628 |
| Deposits with maturity more than 3 months | 29,200 | 20,000 |
| | 30,796 | 48,628 |

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 2018 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2018

A COMPLIANCE WITH MALAYSIA FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING AND THE MAIN 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 Paragraph 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 2018 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 2018.

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 2018.

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

The new accounting standards, amendments and improvements to published standards and IC interpretations to existing standards that are effective for the Group’s and Company’s financial year beginning on 1 July 2018 are as follows:

- IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration” (effective from 1 January 2018)
- MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”
- MFRS 15 “Revenue from Contracts with Customers” (effective from 1 January 2018) replaces MFRS 118 “Revenue” and MFRS 111 “Construction Contracts” and related interpretations.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2018

A2 Changes in accounting policies (cont'd)

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

The initial application of the accounting standards, amendments or interpretations above does not have any material impact to the financial results of the Group for the current period, other than as disclosed below:-

MFRS 9: Financial Instruments

The Group have reviewed their financial assets and liabilities. The financial assets include short term investments in money market or cash funds and derivative financial instruments currently classified as “fair value through profit or loss” and this classification will remain unchanged. The other financial assets are debt instruments that are currently carried as “loans and receivables” and measured at amortised costs. These financial assets satisfies the conditions for classification at amortised costs under MFRS 9. Accordingly, there is no impact to the current classification and measurement of these financial assets to the Group.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at ‘fair value through profit or loss’ and the Group does not have any such liabilities. The derecognition rules have been transferred from MFRS 139 “Financial Instruments: Recognition and Measurement” and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under MFRS 15 “Revenue from Contracts with Customers”, lease receivables, loan commitments and certain financial contracts.

MFRS 15: Revenue from Contracts with Customers

MFRS 15 replaces MFRS 118 “Revenue” and MFRS 111 “Construction Contracts” and related interpretations effective from 1 January 2018. MFRS 15 identified a new five-step process that applies revenue arising from contracts with customers.

The Group have performed an impact assessment on MFRS 9 and MFRS 15 and concluded that the adoption of the new standard did not have any significant impact to the Group’s interim financial statements.

New standards early adopted by the Group

There are no new standards, amendments to published standards and IC interpretations to existing standards early adopted by the Group.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2018

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 and not early adopted

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 1 July 2019

- MFRS 16 “Leases”
- IC Interpretation 23 “Uncertainty over Income Tax Treatments”
- Amendments to MFRS 9 “Prepayment Feature with Negative Compensation”
- Annual Improvements to MFRSs 2015-2017 Cycle: Amendments to MFRS 3 “Business Combinations”, Amendments to MFRS 112 “Income Taxes” and Amendments to MFRS 123 “Borrowing Costs”

Effective for the financial year beginning 1 July 2020

- Amendments to MFRS 3 “Business Combinations”
- Amendments to MFRS 101 “Presentation of Financial Statements”
- Amendments to MFRS 108 “Accounting Policies, Changes in Accounting Estimates and Errors”
- Amendments to MFRS 134 “Interim Financial Reporting”
- Amendment to MFRS 137 “Provisions, Contingent Liabilities and Contingent Assets”
- Amendment to MFRS 138 “Intangible Assets”
- Amendment to IC Interpretation 19 “Extinguishing Financial Liabilities with Equity Instruments”
- Amendment to IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”
- Amendment to IC Interpretation 132 “Intangible Assets – Web Site Costs”

The Group is currently assessing the financial impact that may arise from the adoption of these new standards, amendments and IC interpretations to existing standards on the financial statements of the Group in the financial year of initial application which will be effective from financial year beginning 1 July 2019 and thereafter.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2018

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 2018 was not subject to any qualification.

A4 Seasonal or cyclical factors

The operations of the Group are affected by seasonal factors. Generally the demand for consumer electronic goods will increase before the year-end holiday season 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.

A8 Dividends paid

The following dividend was paid during the FPE 30 September 2018:

| | FPE 30.09.2018 RM'000 |
|---|--------------------------------------|
| In respect of the FYE 30 June 2019: | |
| First interim single-tier tax exempt dividend of 0.6 sen per share declared on 28 August 2018 and paid on 28 September 2018 (based on 388,000,000 shares) | 2,328 |
| | <hr/> 2,328 |

In addition, the dividend paid for the previous FPE 30 September 2017 is as follows:

| | FPE 30.09.2017 RM'000 |
|---|--------------------------------------|
| In respect of the FYE 30 June 2018: | |
| First interim single-tier tax exempt dividend of 0.6 sen per share declared on 22 August 2017 and paid on 29 September 2017 (based on 388,000,000 shares) | 2,328 |
| | <hr/> 2,328 |



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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2018

A9 Operating segments

The Group operates in Malaysia under one operating segment – Consumer Electronics. Operating segment information has therefore not been prepared as the Group’s revenue and operating profit before taxation are mainly confined to this operating segment.

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.

In presenting information on the operating segment, an analysis of the revenue by geographical region is shown below where revenue is based on geographical markets where the goods are delivered rather than the origin of the customers:

| Regions | Current quarter | | | | Cumulative quarter | | | |
|---|-----------------|------------|---------------|------------|--------------------|------------|---------------|------------|
| | 3 months ended | | | | 3 months ended | | | |
| | 30.09.2018 | | 30.09.2017 | | 30.09.2018 | | 30.09.2017 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| America | 40,177 | 70.8 | 55,936 | 66.8 | 40,177 | 70.8 | 55,936 | 66.8 |
| Asia (excluding Malaysia) | 10,124 | 17.9 | 11,848 | 14.1 | 10,124 | 17.9 | 11,848 | 14.1 |
| Europe | 5,537 | 9.8 | 14,308 | 17.1 | 5,537 | 9.8 | 14,308 | 17.1 |
| Australia (including New Zealand and Oceania) | 705 | 1.2 | 1,130 | 1.3 | 705 | 1.2 | 1,130 | 1.3 |
| Malaysia | 171 | 0.3 | 575 | 0.7 | 171 | 0.3 | 575 | 0.7 |
| Africa (including Middle East) | 2 | ^ | 2 | ^ | 2 | ^ | 2 | ^ |
| Total | 56,716 | 100 | 83,799 | 100 | 56,716 | 100 | 83,799 | 100 |

^ negligible

For FPE 30 September 2018, the Group revenue was mainly derived from America, of which, more than 80% of revenue was attributable to the United States of America. The second country is from China, contributing more than 60% to the Asia region.

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 FIRST QUARTER ENDED 30 SEPTEMBER 2018

A14 Capital commitments

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

| | As at 30.09.2018 RM'000 |
|-------------------------------|---|
| Contracted | 1,623 |
| Authorised but not contracted | 16,073 |
| | <u>17,696</u> |

A15 Significant related party transactions

| | 3 months ended 30.09.2018 RM'000 |
|---|---|
| Consultancy fee paid/payable | |
| - to a person connected with directors of the Company | 5 |
| | <u>5</u> |

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2018

B COMPLIANCE WITH APPENDIX 9B OF THE LISTING REQUIREMENTS

B1 Review of performance

(i) Revenue

For the first quarter ended 30 September 2018, the Group had started delivery of a new corded headset to one of its major customer, which had contributed approximately 24.9% to the current quarter revenue. However, this is set-off by the low order volume from one of its headset product that is nearing its end of product life cycle (“EOL”). This has resulted in the revenue decreased from RM83.8 million in the corresponding quarter to approximately RM56.7 million in the current FPE 30 September 2018.

The orders from non-Bluetooth headset products and in-house FOBO tire pressure monitoring system (TPMS) which contributed approximately 2% to the Group’s total revenue for the current FPE 30 September 2018 have continue to record growth albeit at a slower pace compared to the headsets.

(ii) Profit Before Taxation (“PBT”)

For the current quarter ended 30 September 2018, the Group’s PBT was approximately RM3.0 million as compared to PBT of approximately RM8.5 million in the corresponding quarter ended 30 September 2017. The reduction of PBT by approximately 64.7% was a result of the initial low volume for the new corded headset, which is normal for new product delivery during the initial product life cycle phase. The initial low volume from the new corded headset and reducing volume for the EOL product have resulted in the lower PBT.

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

| | Current Quarter 30.09.2018 RM’000 | Preceding Quarter 30.06.2018 RM’000 | Variance RM’000 | % |
|-------------|---|---|--------------------|--------|
| Revenue | 56,716 | 42,084 | 14,632 | 34.8% |
| PBT / (LBT) | 3,019 | (1,326) | 4,345 | 327.7% |

The Group’s revenue for the current FPE 30 September 2018 has increased by approximately 34.8% which was contributed by the shipment of the new corded headset. The PBT has also improved in tandem with the increase in the revenue.

B3 Prospects

The Group expects the global and local business environment to remain challenging with operational costs such as continuous spending on research and development, levy and the minimum wage to affect the Group’s margin. Nonetheless, the Group will continue to focus on its operational and cost efficiency. The Group will continue to drive for more product launches as well as develop new processes for its long term strategy and to improve cost and technology competitiveness.

Premised on the above, the Board is optimistic that the financial performance of the Group will be satisfactory.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2018

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 | | 3 months ended | |
|--------------|----------------|--------------|----------------|--------------|
| | 30.09.2018 | 30.09.2017 | 30.09.2018 | 30.09.2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax | | | | |
| Current year | 591 | 2,477 | 591 | 2,477 |
| Prior year | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 591 | 2,477 | 591 | 2,477 |
| Deferred tax | | | | |
| Current year | 93 | (380) | 93 | (380) |
| Prior year | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 684 | 2,097 | 684 | 2,097 |

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 revenue expenses and 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

There is no corporate proposal announced but pending completion as at the date of this report.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2018

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 30.09.2018 RM'000 | Deviation RM'000 | Balance RM'000 | Intended timeframe for utilisation (from date of listing) | Extended timeframe for utilisation |
|-----------------------------|--------------------------------|---|---------------------|-------------------|---|--|
| Repayment of bank borrowing | 8,500 | 8,500 | - | - | Within 6 months | - |
| Capital expenditure | 25,000 | 12,247 | - | 12,753 | Within 24 months | Additional 18 months (i.e. until 17 November 2019) * |
| R&D expenditure | 8,200 | 8,200 | - | - | Within 24 months | - |
| Working capital | 16,700 | 16,700 | - | - | Within 24 months | - |
| Estimated listing expenses | 4,000 | 4,000 | - | - | Within 3 months | - |
| Total | 62,400 | 49,647 | - | 12,753 | | |

* The Group has yet to fully utilise the IPO proceeds. The Board has resolved to extend the timeframe for the utilisation of proceeds which have been earmarked for the capital expenditure in relation to the acquisition of new machinery and equipment for an additional 18 months.

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

B10 Borrowings and debt securities

The Group's loans and borrowings as at 30 September 2018 are as follows:

| | Payable within 12 months RM'000 | Payable after 12 months RM'000 | Total RM'000 |
|-------------------------|--|---|-----------------|
| <u>Secured</u> | | | |
| Hire Purchase | 75 | - | 75 |
| <u>Unsecured</u> | | | |
| Term loans | 254 | 248 | 502 |
| | <u>329</u> | <u>248</u> | <u>577</u> |

All the borrowings are denominated in Ringgit Malaysia.



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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2018

B11 Derivative financial instruments

As at the date of the statement of financial position 30 September 2018, 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 | 12,248 | (195) |

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 involving 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.

B14 Proposed dividend

The Board has on 26 November 2018 declared a second interim single tier tax-exempt dividend in respect of the financial year ending 30 June 2019 of 0.6 sen per share on 388 million ordinary shares amounting to RM2.328 million. The entitlement date will be on 10 December 2018 and payment date on 20 December 2018.

B15 Earnings per Share ("EPS")

| BASIC EPS | 3 months ended | | 3 months ended | |
|--|----------------|------------|----------------|------------|
| | 30.09.2018 | 30.09.2017 | 30.09.2018 | 30.09.2017 |
| Profit attributable to owners of the Company (RM'000) | 2,335 | 6,453 | 2,335 | 6,453 |
| Weighted average number of ordinary shares in issue ('000) | 388,000 | 388,000 | 388,000 | 388,000 |
| Basic EPS (sen) | 0.60 | 1.66 | 0.60 | 1.66 |

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.



SALUTICA BERHAD

(Company No. 1024781-T)
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 30 SEPTEMBER 2018

B16 Notes to the Statement of Comprehensive Income

| | 3 months ended 30.09.2018 RM'000 | 3 months ended 30.09.2018 RM'000 |
|--|--|--|
| Profit from operations for the period/year is arrived at after charging/(crediting): | | |
| Allowance / (Reversal) for slow moving inventories | (790) | (790) |
| Write-off inventories | 110 | 110 |
| Claim made for obsolete materials | (148) | (148) |
| Property, plant & equipment: | | |
| - depreciation | 1,369 | 1,369 |
| - gains on disposal | - | - |
| Provision for warranty | 8 | 8 |
| Rental expenses: | | |
| - Hostel/premise | 50 | 50 |
| - equipment/machinery | 9 | 9 |
| Finance costs | 10 | 10 |
| Net foreign exchange (gains)/losses: | | |
| - realised | (40) | (40) |
| - unrealised | 35 | 35 |
| Fair value loss on derivative financial instruments | 8 | 8 |
| Interest Income | (270) | (270) |
| Short term investments: | | |
| - gains on disposal | (20) | (20) |
| - fair value gains | (526) | (526) |

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

B17 Authorisation for issue

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 26 November 2018.