

INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ⁽¹⁾

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Current Year Quarter 30.06.2019	Preceding Year Corresponding Quarter 30.06.2018	Current Year To Date 30.06.2019	Preceding Corresponding Year To Date 30.06.2018
Notes	RM'000	RM'000	RM'000	RM'000
Revenue	19,559	22,015	42,070	43,089
Operating expenses	(16,564)	(18,443)	(37,165)	(40,376)
Other income	439	646	490	184
Finance costs	(278)	(322)	(572)	(652)
Profit before tax	3,156	3,896	4,823	2,245
Income tax expense	(140)	(180)	(180)	(180)
Profit after tax	3,016	3,716	4,643	2,065
Other comprehensive income	-	-	-	-
Total comprehensive income	3,016	3,716	4,643	2,065
Profit after tax attributable to:				
- Owners of the Company	3,016	3,716	4,643	2,065
- Non-controlling interest	-	-	-	-
	3,016	3,716	4,643	2,065
Total comprehensive income attributable to:				
- Owners of the Company	3,016	3,716	4,643	2,065
- Non-controlling interest	-	-	-	-
	3,016	3,716	4,643	2,065
Attributable to equity holders of the Company:				
- Basic earnings per share (sen) ⁽²⁾	B12 0.60	0.74	0.93	0.44
- Diluted earnings per share (sen) ⁽³⁾	B12 0.60	0.74	0.92	0.44

Notes :

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) Basic earnings per share is calculated based on the Company's weighted average number of ordinary shares for the financial period.
- (3) Diluted earnings per share of the Company for the current financial quarter ended 30 June 2019 and financial period ended 30 June 2019 is calculated based on the Company's weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares for the financial period. Diluted earnings per share of the Company for the preceding year corresponding quarter ended 30 June 2018 and financial period ended 30 June 2018 is equivalent to the basis earnings per share as the Company does not have convertible options at the end of the reporting period.

INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ⁽¹⁾

	(Unaudited) As At 30.06.2019 RM'000	(Audited) As At 31.12.2018 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	75,372	69,397
Deferred tax assets	440	440
	<u>75,812</u>	<u>69,837</u>
CURRENT ASSETS		
Inventories	14,268	14,770
Trade and other receivables	7,661	9,845
Current tax assets	2,331	1,873
Cash and cash equivalents	11,735	25,806
	<u>35,995</u>	<u>52,294</u>
TOTAL ASSETS	<u>111,807</u>	<u>122,131</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share Capital	51,953	51,953
Merger Deficit	(22,100)	(22,100)
Retained profits	45,249	43,106
TOTAL EQUITY	<u>75,102</u>	<u>72,959</u>
NON-CURRENT LIABILITIES		
Bank borrowings	15,332	16,861
Hire purchase payables	610	711
	<u>15,942</u>	<u>17,572</u>
CURRENT LIABILITIES		
Trade and other payables	12,235	23,476
Bank borrowings	5,659	7,780
Hire purchase payables	369	344
Dividend payable	2,500	-
	<u>20,763</u>	<u>31,600</u>
TOTAL LIABILITIES	<u>36,705</u>	<u>49,172</u>
TOTAL EQUITY AND LIABILITIES	<u>111,807</u>	<u>122,131</u>
Net assets per ordinary share (RM) ⁽²⁾	<u>0.15</u>	<u>0.15</u>

Notes:

(1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

(2) Net assets per ordinary share is calculated based on the Company's number of ordinary shares at the end of the reporting period.

INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY ⁽¹⁾

	<u>Non-distributable</u> Share capital RM'000	<u>Merger deficit</u> RM'000	<u>Distributable</u> Retained profits RM'000	Total equity RM'000
Unaudited				
Balance at 1 January 2018	24,000	(22,100)	33,129	35,029
Profit after tax and total comprehensive income for the financial period	-	-	2,065	2,065
Contributions by and distributions to owners of the Company:				
- Issuance of shares	29,000	-	-	29,000
- Share issuance expenses	(1,047)	-	-	(1,047)
- Dividend	-	-	(2,500)	(2,500)
Total transactions with owners	27,953	-	(2,500)	25,453
Balance at 30 June 2018	<u>51,953</u>	<u>(22,100)</u>	<u>32,694</u>	<u>62,547</u>
Unaudited				
Balance at 1 January 2019	51,953	(22,100)	43,106	72,959
Profit after tax and total comprehensive income for the financial period	-	-	4,643	4,643
Contributions by and distributions to owners of the Company:				
- Dividend	-	-	(2,500)	(2,500)
Balance at 30 June 2019	<u>51,953</u>	<u>(22,100)</u>	<u>45,249</u>	<u>75,102</u>

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS ⁽¹⁾

	(Unaudited) Current Year To Date 30.06.2019 RM'000	(Unaudited) Preceding Corresponding Year To Date 30.06.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	4,823	2,245
Adjustments for:		
Depreciation	1,683	968
Fair value loss on derivatives	-	205
Gain on disposal of property, plant and equipment	(25)	(44)
Unrealised gain on foreign exchange	(45)	(108)
Interest expenses	559	619
Interest income	(26)	(74)
Operating profit before working capital changes	6,969	3,811
Inventories	502	(1,326)
Trade and other receivables	2,183	3,404
Trade and other payables	(3,920)	(3,121)
CASH FROM OPERATIONS	5,734	2,768
Interest paid	(559)	(619)
Interest received	26	74
Tax paid	(638)	(1,128)
NET CASH FROM OPERATING ACTIVITIES	4,563	1,095
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(14,889)	(5,124)
Proceeds from disposal of property, plant and equipment	25	174
NET CASH FOR INVESTING ACTIVITIES	(14,864)	(4,950)
CASH FLOW (FOR)/FROM FINANCING ACTIVITIES		
Dividend paid	-	(2,500)
Net movements in trade bills	(2,170)	(1,783)
Drawdown of term loans	-	2,792
Repayment of term loans	(1,480)	(1,050)
Repayment of hire purchase payables	(176)	(157)
Proceeds from issuance of ordinary shares	-	29,000
Payment of listing expenses	-	(1,047)
NET CASH (FOR)/FROM FINANCING ACTIVITIES	(3,826)	25,255
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(14,127)	21,400
EFFECT OF FOREIGN EXCHANGE TRANSLATION	56	44
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	25,806	9,516
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	11,735	30,960
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
Short-term money market fund	4,424	22,211
Cash and bank balances	7,311	8,749
	11,735	30,960

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A1 Basis of Preparation

The interim financial report of Wegmans Holdings Berhad (“Wegmans” or “the Company”) and its subsidiaries (“the Group”) are unaudited and have been prepared in accordance with MFRS 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board and Rule 9.22 of the Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

A2 Significant Accounting Policies

The significant accounting policies and presentation adopted for the interim financial statements are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2018, except for the adoption of the following during the current financial period:

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group.

The Group has not applied in advance any accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the financial year ending 31 December 2019.

A3 Auditors’ Report of Preceding Annual Financial Statements

The preceding year’s audited financial statements of the Group were not subject to any qualification.

A4 Seasonal or Cyclical Factors

Generally, the Group’s revenue for the first (1st) quarter is slightly lower than the rest of the quarters. This is attributable to the local festive seasons, namely Chinese New Year, which affects our delivery/production schedule. Save for the above, the Group does not experience any other material seasonality or cyclical effects in revenue.

A5 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows of the Group that were unusual because of their nature, size or incidence during the current financial quarter under review.

A6 Material Changes in Estimates

There were no material changes in estimates in the current financial quarter under review.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)

A7 Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the current financial quarter under review.

A8 Dividends Paid

A final single tier dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 December 2018 was approved by the shareholders at the annual general meeting on 21 May 2019. The dividend subsequently paid on 5 July 2019 to depositors registered in the Record of Depositors of the Company at the close of business on 14 June 2019.

A9 Segmental Reporting

The Group is principally involved in designing, manufacturing and sale of home furniture products.

No product and services segment information is presented as the Group’s revenue, profit or loss are mainly confined to a single operating segment, namely furniture manufacturing.

Segment assets is not presented, as all non-current assets are located in Malaysia.

Segment revenue is presented based on the geographical location of the customers.

	Individual Quarter		Cumulative Quarter	
	(Unaudited) 30.06.2019 RM’000	(Unaudited) 30.06.2018 RM’000	(Unaudited) 30.06.2019 RM’000	(Unaudited) 30.06.2018 RM’000
Africa	537	86	927	403
Asia (excluding Malaysia)	5,392	5,304	12,822	13,521
Australasia	1,423	4,943	2,668	9,607
Europe	2,898	2,565	5,469	5,010
North America	7,944	8,172	17,562	13,244
South America	402	664	663	902
Malaysia	963	281	1,959	402
Total	19,559	22,015	42,070	43,089

A10 Valuation of Property, Plant and Equipment

There was no valuation of property, plant and equipment in the current financial quarter under review.

A11 Capital Commitments

The material capital commitments of the Group at 30 June 2019 are as follows:

Contracted but not provided for	RM’000
Purchase of property, plant and equipment	10,749

**PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)**

A12 Material Subsequent Event

There were no other material events subsequent to the end of the current financial period that have not been reflected in the interim financial reports for the said period as at the date of this report.

A13 Changes in the Composition of the Group

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

A14 Contingent Assets or Contingent Liabilities

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

A15 Significant Related Party Transactions

There were no related party transactions in the current financial quarter under review.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

PART B - ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Group Performance Review

The Group's revenue for the current financial quarter ended 30 June 2019 has decreased by RM2.46 million or 11.17% to approximately RM19.56 million as compared to approximately RM22.02 million in the preceding year corresponding quarter ended 30 June 2018. The lower revenue was mainly due to lower sales contribution from Australasia.

The Group registered a profit before tax of approximately RM3.16 million for the current financial quarter ended 30 June 2019 as compared to approximately RM3.90 million for the preceding year corresponding quarter ended 30 June 2018. The lower profit before tax was in line with the lower revenue for the current financial quarter.

B2 Comparison with Immediate Preceding Quarter Results

The Group's revenue for the current financial quarter ended 30 June 2019 has decreased by RM2.95 million or 13.11% to approximately RM19.56 million as compared to approximately RM22.51 million in the preceding financial quarter ended 31 March 2019. The lower revenue was mainly due to lower sales contribution from Australasia.

The Group registered a profit before tax of approximately RM3.16 million for the current financial quarter as compared to approximately RM1.67 million for the preceding financial quarter. The higher profit before tax was mainly attributed to the exhibition expenses of approximately RM0.97 million incurred for the participation in international trade exhibitions in preceding financial quarter.

B3 Prospects for the Current Financial Year

The Group operates within the furniture manufacturing industry in Malaysia. The Group is expected to benefit from the future plans and strategies as disclosed in the Prospectus of the Company dated 13 February 2018. These include increasing our production capacity, further expanding and diversifying our customer base and increasing our product range and developing new product designs.

Barring unforeseen circumstances, the Board expects the financial performance for the financial year ending 31 December 2019 to be satisfactory.

B4 Variance of Actual Profit from Profit Forecast and Profit Guarantee

The Company did not issue any profit forecast or profit guarantee in the current financial quarter under review.

B5 Income tax expense

	Individual Quarter		Cumulative Quarter	
	(Unaudited) 30.06.2019 RM'000	(Unaudited) 30.06.2018 RM'000	(Unaudited) 30.06.2019 RM'000	(Unaudited) 30.06.2018 RM'000
Current tax expense	140	180	180	180

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

PART B - ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B6 Status of Corporate Proposals

On 27 February 2019, Wegmans Woodwork Sdn. Bhd., a wholly-owned subsidiary of the Company entered into 4 Sale and Purchase Agreements to acquire 4 pieces of leasehold land measuring a total of approximately 12.11 acres all held under Master Title known as H.S.(D) 38459, PTD 13399, H.S(D) 38460, PTD 13400, Geran 50191, Lot 8531, situated in the Mukim of Jalan Bakri, District of Muar, Johor Darul Takzim in respect of which titles have yet to be issued for a total purchase consideration of RM8.44 million.

Save as disclosed above, there were no other corporate proposals announced but not completed at the date of this report.

B7 Utilisation of Proceeds Raised from the Initial Public Offering

The gross proceeds arising from the public issue amounting to RM29.00 million and the status of the utilisation of the proceeds at 30 June 2019 is as follows:

<u>Details of use of proceeds</u>	<u>Proposed Utilisation RM'000</u>	<u>Actual Utilisation RM'000</u>	<u>Deviation RM'000</u>	<u>Balance RM'000</u>	<u>Estimated Timeframe for Utilisation Upon Listing</u>
(1) Capital expenditure					
(a) Construction of new factories for manufacturing production and its accompanying new head/ management office, new showroom and workers' hostel	11,000	(10,364)	-	636	Within 2 years
(b) Purchase of new machineries and equipment	11,000	(10,610)	-	390	Within 2.5 years
	<u>22,000</u>	<u>(20,974)</u>	<u>-</u>	<u>1,026</u>	
(2) Working capital	3,500	-	765	4,265	Within 2.5 years
(3) Estimated listing expenses	3,500	(2,735)	⁽¹⁾ (765)	-	Within 3 months
	<u>29,000</u>	<u>(23,709)</u>	<u>-</u>	<u>5,291</u>	

Note:

- (1) The excess of RM0.77 million will be utilised for general working capital requirements of the Group.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

PART B - ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B8 Group Borrowings and Debt Securities

Total Group's borrowings (all of which are secured against the Group's assets) are as follows:

	(Unaudited) As at 30.06.2019 RM'000	(Unaudited) As at 30.06.2018 RM'000
Non-current:		
Hire purchase payables	610	885
Term loans	15,332	17,703
	<u>15,942</u>	<u>18,588</u>
Current:		
Trade bills	2,608	8,216
Hire purchase payables	369	344
Term loans	3,051	2,582
	<u>6,028</u>	<u>11,142</u>
Total borrowings	<u>21,970</u>	<u>29,730</u>

All the above borrowings are denominated in Ringgit Malaysia.

B9 Derivatives liabilities

Details of outstanding derivatives are as follows:

	(Unaudited) As at 30.06.2019		(Unaudited) As at 30.06.2018	
	Contract/ Notional Amount RM'000	Carrying Amount RM'000	Contract/ Notional Amount RM'000	Carrying Amount RM'000
Forward currency contracts				
Less than one year	-	-	9,541	205
	<u>-</u>	<u>-</u>	<u>9,541</u>	<u>205</u>

The Group uses forward currency contracts to manage some of its transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency translation exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2019

PART B - ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B10 Fair Value Changes of Financial Liabilities

The Group has recognised the following gain arising from fair value changes of derivatives as follows:

	Individual Quarter		Cumulative Quarter	
	(Unaudited) 30.06.2019 RM'000	(Unaudited) 30.06.2018 RM'000	(Unaudited) 30.06.2019 RM'000	(Unaudited) 30.06.2018 RM'000
Fair value loss on derivatives ⁽¹⁾	-	234	-	205

Note:

- (1) The fair value changes were attributed to changes in the foreign exchange spot and forward rates.

Saved as disclosed above, the Group does not have any financial assets or liabilities that are measured at fair value for the current financial quarter ended 30 June 2019.

B11 Material Litigation

As at the date of this report, there were no pending material litigations.

B12 Earnings Per Share

The basic and diluted earnings per share for the current financial quarter and current financial year to date are computed as follows:

	Individual Quarter		Cumulative Quarter	
	(Unaudited) 30.06.2019	(Unaudited) 30.06.2018	(Unaudited) 30.06.2019	(Unaudited) 30.06.2018
Profit after tax attributable to owners of the Company (RM'000)	3,016	3,716	4,643	2,065
Weighted average number of ordinary shares in issue ('000)	500,000	500,000	500,000	464,641
Basic earnings per share (sen)	0.60	0.74	0.93	0.44
Profit after tax attributable to owners of the Company (RM'000)	3,016	3,716	4,643	2,065
Weighted average number of ordinary shares in issue ('000)	504,808	500,000	506,867	464,641
Diluted earnings per share (sen)	0.60	0.74	0.92	0.44

Note:

- (1) Diluted earnings per share of the Company for the current financial quarter ended 30 June 2019 and financial period ended 30 June 2019 is calculated based on the Company's weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares for the financial period. Diluted earnings per share of the Company for the preceding year corresponding quarter ended 30 June 2018 and financial period ended 30 June 2018 is equivalent to the basic earnings per share as the Company does not have convertible options at the end of the reporting period.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED
30 JUNE 2019

**PART B - ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA
SECURITIES (CONT'D)**

B13 Notes to the Statement of Comprehensive Income

Profit before tax is arrived at after charging/(crediting):

	(Unaudited) Current Year Quarter 30.06.2019 RM'000	(Unaudited) Current Year To Date 30.06.2019 RM'000
Interest income	(10)	(26)
Gain on disposal of property, plant and equipment	-	(25)
Depreciation	848	1,683
Interest expenses	272	559
Gain on foreign exchange	(390)	(355)

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

B14 Proposed Dividends

The Board of Directors does not recommend any dividend for the current financial quarter under review.

BY ORDER OF THE BOARD

**TAN HUI KHIM (LS 0009936)
NG MEI WAN (MIA 28862)
COMPANY SECRETARIES**

**JOHOR
26 August 2019**