



SIN HENG CHAN (MALAYA) BERHAD (4690-V)
(Incorporated in Malaysia)

**INTERIM REPORT FOR THE
SECOND QUARTER ENDED
30 June, 2019**

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SIN HENG CHAN (MALAYA) BERHAD (4690-V)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

(The figures have not been audited)

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|---|---|--|--|
| | CURRENT YEAR QUARTER 30 JUN 2019 RM'000 | PRECEDING YEAR QUARTER 30 JUN 2018 RM'000 | CURRENT YEAR TO DATE 30 JUN 2019 RM'000 | PRECEDING YEAR TO DATE 30 JUN 2018 RM'000 |
| Revenue | 6,866 | 6,207 | 13,669 | 12,006 |
| Cost of Sales | (7,597) | (6,009) | (14,874) | (11,306) |
| Gross profit | (731) | 198 | (1,205) | 700 |
| Other income | 3,839 | 1,387 | 5,356 | 2,717 |
| General and administrative expenses | (765) | (1,721) | (2,379) | (3,339) |
| Other operating expenses | (392) | (612) | (697) | (1,027) |
| | 1,951 | (748) | 1,075 | (949) |
| Finance cost | (1,499) | (1,546) | (2,978) | (3,013) |
| Share of profit / (loss) of associates | (93) | 313 | (98) | 482 |
| Profit / (Loss) before tax | 359 | (1,981) | (2,001) | (3,480) |
| Tax credit/(expense) | (66) | 77 | 10 | 153 |
| Profit / (Loss) from operations | 293 | (1,904) | (1,991) | (3,327) |
| Equity holders of the parent | 293 | (1,904) | (1,991) | (3,327) |
| | 293 | (1,904) | (1,991) | (3,327) |
| Earnings per ordinary share | | | | |
| <i>Basic (sen)</i> | 0.22 | (1.59) | (1.51) | (2.77) |
| <i>Diluted (sen)</i> | 0.22 | (1.59) | (1.51) | (2.77) |

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this report)

SIN HENG CHAN (MALAYA) BERHAD (4690-V)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

(The figures have not been audited)

| | AS AT 30 JUNE 2019 RM'000 | AS AT 31 DECEMBER 2018 RM'000 |
|---|---------------------------------|-------------------------------------|
| ASSETS | | |
| Non-Current Assets | | |
| Property, Plant and Equipment ("PPE") | 78,800 | 80,389 |
| Investment Properties | 379 | 9,375 |
| Concession Financial Assets | 56,115 | 55,716 |
| Prepaid Lease Rental | 17,577 | 17,812 |
| Goodwill on consolidation | 19,193 | 19,193 |
| Intangible Assets | 5,150 | 5,450 |
| Investment in associates | - | 10,466 |
| Current Assets | | |
| Inventories | 1,237 | 1,160 |
| Trade Receivables | 7,707 | 6,792 |
| Other Receivables | 1,821 | 2,460 |
| Biological assets | 486 | 486 |
| Assets held for sale | 8,961 | 544 |
| Amount owing by related parties | 5,500 | 259 |
| Amount owing by associates companies | - | 313 |
| Fixed deposits, cash and cash balances | 1,315 | 2,232 |
| | <u>27,027</u> | <u>14,246</u> |
| TOTAL ASSETS | <u>204,241</u> | <u>212,647</u> |
| EQUITY & LIABILITIES | | |
| Share Capital | 123,992 | 123,992 |
| Reserves | (47,591) | (45,600) |
| Equity attributable to equity holders of the parent | <u>76,401</u> | <u>78,392</u> |
| Non-Current Liabilities | | |
| Bank Borrowings | 62,964 | 66,964 |
| Hire-purchase payables | 981 | 781 |
| Deferred Tax Liability | 7,288 | 7,440 |
| | <u>71,233</u> | <u>75,185</u> |
| Current Liabilities | | |
| Bank Overdrafts | 24,957 | 24,792 |
| Trade Payables | 7,507 | 6,323 |
| Other Creditors | 16,287 | 18,011 |
| Amount owing to related parties | 2,169 | 1,669 |
| Amount owing to director | - | - |
| Bank Borrowings | 5,520 | 7,991 |
| Hire-purchase payables | 160 | 277 |
| Tax liabilities | 7 | 7 |
| | <u>56,607</u> | <u>59,070</u> |
| | <u>204,241</u> | <u>212,647</u> |
| Net tangible assets per share (RM) | 0.43 | 0.45 |

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this report)

SIN HENG CHAN (MALAYA) BERHAD (4690-V)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

(The figures have not been audited)

| | Share Capital RM'000 | Distributable Accumulated Loss RM'000 | Total RM'000 |
|---|-------------------------------------|--|-------------------------|
| <u>6 months quarter ended 30 June 2019</u> | | | |
| At 1 January 2019 | 123,992 | (45,600) | 78,392 |
| Net loss for the financial period | - | (1,991) | (1,991) |
| At 30 June 2019 | 123,992 | (47,591) | 76,401 |
| <u>6 months quarter ended 30 June 2018</u> | | | |
| At 1 January 2018 | 118,092 | (39,336) | 78,756 |
| Net loss for the financial period | - | (3,327) | (3,327) |
| At 30 June 2018 | 118,092 | (42,663) | 75,429 |

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this report)

SIN HENG CHAN (MALAYA) BERHAD (4690-V)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**
(The figures have not been audited)

| | 6 MONTHS PERIOD ENDED 30 JUNE 2019 RM'000 | 6 MONTHS PERIOD ENDED 30 JUNE 2018 RM'000 |
|--|--|--|
| Profit / (Loss) before tax | (2,001) | (3,480) |
| Adjustment for : | | |
| Amortisation of Prepaid Lease and Intangible Assets | 570 | 1,480 |
| Depreciation of Property, Plant & Equipment ("PPE") | 2,139 | 1,004 |
| Fair value changes in biological asset | - | - |
| Share of result in associated companies | 98 | (482) |
| Finance costs | 2,978 | 3,013 |
| Loss/(gain) on disposal of Investment / PPE | - | - |
| Other non-cash items | (4,786) | (1,832) |
| Operating Profit/(loss) before working capital changes | <u>(1,002)</u> | <u>(297)</u> |
| Decrease in concession financial assets | 1,347 | (4,370) |
| Increase in inventories | (77) | (304) |
| Decrease/(Increase) in receivables and other assets | (275) | (3,727) |
| Increase in payables and other liabilities | (541) | 7,242 |
| Increase in amount owing to director | - | 800 |
| Decrease/(Increase) in amount owing by related parties | (4,741) | (991) |
| Decrease/(Increase) in amount owing by associates companies | 313 | (155) |
| Cash from/(used in) operations | <u>(4,976)</u> | <u>(1,802)</u> |
| Interest paid | (30) | 51 |
| Net cash used in operating activities | <u>(5,006)</u> | <u>(1,751)</u> |
| Cash flows from/(used in) investing activities | | |
| Net cash inflow from disposal of discontinued operations | - | - |
| Acquisition of intangible assets | - | - |
| Proceed from disposal of a subsidiary company / other investment | 10,500 | - |
| Issue of ordinary shares | - | - |
| Addition of plantation development expenditure | - | - |
| Purchase of property, plant and equipment | (550) | (900) |
| Proceeds from disposal of PPE | 3,307 | - |
| Interest received | 3 | 35 |
| Net cash (used in)/from investing activities | <u>13,260</u> | <u>(865)</u> |
| Cash flows from/(used in) financing activities | | |
| Proceeds from drawdown of borrowings - net | - | - |
| Repayment of term loan - net | (6,471) | (2,812) |
| Proceed/(Repayment) of hire-purchase - net | 83 | (121) |
| Interest Paid | (2,948) | (3,065) |
| Net cash (used in)/from financing activities | <u>(9,336)</u> | <u>(5,998)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | <u>(1,082)</u> | <u>(8,614)</u> |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>(22,560)</u> | <u>(15,049)</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR | <u><u>(23,642)</u></u> | <u><u>(23,663)</u></u> |
| Cash and Cash Equivalents at end of period consist of:- | | |
| Deposits with licensed banks | 800 | 902 |
| Cash and bank balances | 515 | 36 |
| Bank Overdrafts | (24,957) | (24,601) |
| | <u>(23,642)</u> | <u>(23,663)</u> |

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this report)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2019

PART A : EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018. These explanatory notes attached to the interim financial statements 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.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the last audited financial statements for the financial year ended 31 December 2018.

In conjunction with the planned convergence of Financial Reporting Standards ("FRS") with International Financial Reporting Standard as issued by the International Accounting Standards Board, the MASB issued a new approved accounting standard framework, the MFRSs, for application in the annual periods beginning on or after 1st January 2012.

The MFRS Framework is a mandatory for adoption by all Entities Other Than Private Entities, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Int 15 Agreement for the Construction of Real Estate ("Transitioning Entities"). The Group falls within the definition of Transitioning Entities and the financial statements for the annual period beginning on 1 January 2017 will be prepared in accordance with the MFRS and International Financial Reporting Standards.

The significant accounting policies and methods of computation adopted are consistent with those of the most recent audited financial statements for the year ended 31 December 2017 except for the adoption of new and amended FRSs, IC Interpretations and new MFRSs which are relevant to its operations and effective for the financial periods beginning on or after 1 January 2018. Comparative information in these interim financial statements have been restated to give effect to these changes and the financial impact on the transition to MFRS framework follows:

Biological assets

Under the MFRS framework, biological assets that meet the definition of bearer plants will be within the scope of MFRS 116: Property, Plant and Equipment. After initial recognition, the bearer biological assets will be measured under MFRS 166 at accumulated cost. The Group is currently measuring the bearer biological assets at valuation less accumulated impairment losses after the date of valuation. Upon adoption of the MFRS framework, the Group decided to apply the cost model for accounting the bearer plants. This change in accounting framework will result in the reclassification of the bearer assets from plantation development expenditure to bearer plants and the revaluation amount on the transition date to be recorded as original cost. The related revaluation surplus will be adjusted accordingly. Subsequently be stated at cost less any accumulated depreciation and accumulated impairment losses. The amendments also require the produce that grows on bearer plants to be within scope of MFRS141 measured at fair value less costs to sell. The plantation development expenditure of the Group comprises of the fresh fruit bunch ("FFB") prior to harvest. The changes in fair value less costs to sell of the biological assets was recognised in profit or loss.

A2 Audit report

The auditors' report on the financial statement for the year ended 31 December 2018 was not qualified.

A3 Seasonal or cyclical factors of the Group's operations

The prices for the Group's plantation products are not within the control of the Group but are determined by the price of Crude Palm Oil (CPO), which in turn depends on several factors including the global supply and demand of competing vegetable oils, crude oil prices, and general global economic growth conditions.

Crop production is seasonal. Based on statistics, the Group's production of Fresh Fruit Bunches (FFB) gradually increases in the second quarter and reaches its peak during the third and fourth quarters. This pattern can be affected by rainfall in the Group's estates and severe global weather conditions such as El-Nino.

The profits for this segment of the Group are primarily determined by the price of FFB and the volume of production from the Group's estates.

The Group's other businesses in energy and facilities management are not affected by seasonal or cyclical factors.

A4 Unusual items

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence in the current quarter.

A5 Changes in estimates

There were no changes in estimates of amounts reported in prior interim periods or changes in estimates of amounts reported in prior financial years, which have a material effect in the current quarter.

A6 Debt and Equity Securities

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

A7 Dividend

There was no dividend paid, declared or proposed in the current quarter.

A8 Segmental analysis

The Group is organised into the following operating divisions:

- (i) Oil Palm Plantations
- (ii) Energy and Facilities Management
- (iii) Investment Holding
- (iv) Others (consist of subsidiary companies which are dormant)

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Segmental Information for the current quarter

| <u>For the 3 months financial period ended 30 June 2019</u> | Oil Palm Plantations | Energy & Facilities Management | Investment Holding | Others | Elimination | Group Total |
|---|-------------------------|--------------------------------------|-----------------------|--------|-------------|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 3,317 | 3,549 | - | - | - | 6,866 |
| Segment results | | | | | | |
| Profit / (loss) from operations | (1,281) | 953 | 5,085 | (9) | (2,797) | 1,951 |
| Finance cost | (929) | (701) | (6) | - | 137 | (1,499) |
| Share profit of associates | | | | | | (93) |
| Profit / (Loss) before tax | (2,210) | 252 | 5,079 | (9) | (2,660) | 359 |
| Tax | | | (142) | | 76 | (66) |
| Profit / (Loss) for the period | | | | | | 293 |

A9 Valuations of property, plant and equipment

The valuations of land and building have been brought forward without amendment from the financial statements for the year ended 31 December 2018.

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to 30 June 2019 and up to the date of the issuance of this quarterly report that have not been reflected in this quarterly report.

A11 Changes in the Composition of the Group

The exercise of the Call Option by the Vendors of KJ Technical Services Sdn Bhd ("KJTS") to purchase 25% equity interest in KJTS from the Company was completed on 14 May 2019. As a result of this, KJTS shall no longer be an associate company of the Group effective from 14 May 2019.

Save for this, there were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiary companies and long-term investments, restructurings and discontinued operations for the current quarter.

A12 Contingent liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 30 June 2019.

A13 Capital Commitments

There are no capital commitments approved or contracted for the first quarter ended 30 June 2019.

PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1 Review of Performance

| | Individual Quarter | | | Cumulative Quarter | | |
|---|--------------------|--------------|----------|--------------------|--------------|----------|
| | 30 June 2019 | 30 June 2018 | Variance | 30 June 2019 | 30 June 2018 | Variance |
| | RM | RM | % | RM | RM | % |
| Oil Palm Plantations Revenue ('000) | 3,317 | 2,992 | 10.9% | 6,618 | 5,652 | 17.1% |
| Energy and Facility Management Revenue ('000) | 3,549 | 3,215 | 10.4% | 7,051 | 6,354 | 11.0% |
| Total Revenue ('000) | 6,866 | 6,207 | 10.6% | 13,669 | 12,006 | 13.9% |
| Profit / (Loss) Before Tax ('000) | 359 | (1,981) | -118.1% | (2,001) | (3,480) | -42.5% |
| Operational Statistics | | | | | | |
| Production (MT) | 9,242 | 6,571 | 40.6% | 18,166 | 12,333 | 47.3% |
| Ave. CPO Price* | 1,979 | 2,381 | -16.9% | 1,997 | 2,425 | -17.6% |
| Ave. FFB Price | 359 | 453 | -20.7% | 366 | 457 | -20.0% |

*Extracted from MPOB Peninsular Malaysia Average

(A) Performance of the current quarter against the preceding year corresponding quarter

Revenue

The Group's revenue for the current quarter ended 30 June 2019 increased by 10.6% to RM6.87 million as compared to RM6.21million in the corresponding quarter in 2018.

Plantations

For the current quarter under review, the Group's plantations segment recorded revenue of RM3.32 million, a 10.9% increase when compared to the corresponding quarter in 2018. This was mainly due to an increase in the Group's Fresh Fruit Bunch (FFB) production by 2,671mt or 40.6% compared to the same quarter in 2018. However, this segment recorded a weaker financial performance due to the decrease in average CPO and FFB prices, which declined by 16.9% and 20.7% respectively compared to the corresponding period in 2018.

Energy and Facilities Management

For the current quarter under review, this segment contributed RM3.55 million to the Group's revenue, an increase of 10.4% as compared to RM3.22 million in the corresponding quarter in 2018.

Profit / (Loss) before tax

The Group recorded a profit before tax of RM0.36 million as compared to loss before tax of RM1.98 million in the corresponding quarter ended 30 June 2018. The profit recorded was largely due to the recognition of the gain from disposal of three (3) pieces of freehold vacant land to Sinn Kian Hin Sendirian Berhad which was completed on 23 May 2019.

B1 Review of Performance (continued)

(B) Performance of the current financial period to-date against preceding year corresponding financial period

Revenue

The Group's revenue for the cumulative quarter ended 30 June 2019 increased by 13.9% to RM13.67 million as compared to RM12.01 million in the preceding corresponding period ended 30 June 2018. The increase in revenue was mainly due to the increase in revenue from the Group's plantations segment.

Plantations

The revenue from this segment in the current year cumulative quarter increased by 17.1% to RM6.62 million from RM5.65 million in preceding year corresponding period. This was due to an increase in FFB production from the Group's estates by 5,833mt or 47.3% compared to the same period in 2018. However, the increase in production was offset by lower average CPO and FFB prices, which declined by 17.6% and 20.0% respectively compared to the corresponding period in 2018.

Energy and Facilities Management

This segment contributed RM7.05 million to the Group revenue in the current year cumulative quarter compared to RM6.35 million in preceding year corresponding period.

Profit / (Loss) before tax

The Group recorded a loss before tax of RM2.00 million as compared to a loss before tax of RM3.48 million for the preceding year to date ended 30 June 2018. The Group recorded an improved financial performance due to improvements from the Group's plantations segment as well as the recognition of the gain from disposal of three (3) pieces of freehold vacant land.

B2 Material Changes in Current Quarter Results Compared with Preceding Quarter

| | Current Quarter | Immediate Preceding Quarter | Variance | |
|---|------------------------|-----------------------------|------------------|----------|
| | 30 June 2019 RM'000 | 31 Mar 2019 RM'000 | Amount RM'000 | % |
| Production (MT) | 9,242 | 8,924 | 318 | 3.56% |
| Ave. CPO Price* | 1,979 | 2,015 | (36) | -1.78% |
| Ave. FFB Price | 359 | 372 | (13) | -3.40% |
| Revenue ('000) | 6,866 | 6,803 | 63 | 0.93% |
| Operating Profit /(Loss) before finance cost ('000) | 1,858 | (881) | 2,739 | -310.90% |
| Finance Cost | (1,499) | (1,479) | (20) | 1.35% |
| Profit / (Loss) before tax ('000) | 359 | (2,360) | 2,719 | -115.21% |
| Profit / (Loss) After tax ('000) | 293 | (2,284) | 2,577 | -112.83% |
| Profit / (Loss) attributable to owners of the Company | 293 | (2,284) | 2,577 | -112.83% |

For the three months period ended 30 June 2019, the Group recorded a revenue of RM6.87 million as compared to RM6.80 million recorded in the preceding quarter ended 31 March 2019. The slight increase in revenue is due to an increase in revenue from the plantations segment. Although FFB production from the Group's estates increased by 318mt or 3.56%, average CPO prices declined by 1.78% compared to the preceding quarter.

B2 Material Changes in Current Quarter Results Compared with Preceding Quarter (continued)

The Group recorded a profit before taxation of RM0.36 million for the current quarter as compared to a loss before tax of RM2.36 million in preceding quarter ended 31 March 2019. This was mainly due to the recognition of the gain from disposal of three (3) pieces of freehold vacant land to Sinn Kian Hin Sendirian Berhad which was completed on 23 May 2019.

B3 Prospects

For 2019, our Group's performance in the plantation division will be largely dependent on CPO and Palm Kernel ("PK") prices, and our FFB production. CPO and PK prices are influenced by a variety of factors affecting the supply and demand of palm oil, including the weather conditions, prices and production of substitute vegetable oils, crude oil prices, and global economic conditions. The ongoing and potential settlement of the trade war between China and the USA, and its subsequent effect on soybean oil, may also have a large bearing on prices in 2019.

Notwithstanding this, the Group will continue to focus on increasing the production of FFB from its estates. The Group remains fundamentally optimistic about the long-term prospects of the palm oil industry.

The Group is optimistic on the ability of its energy and facility management division to continue to provide steady and recurrent income to the Group.

B4 Profit Forecast or Profit Guarantee

The Group has not issued any profit forecasts for the quarter under review.

B5 Dividends

No interim dividend has been paid, declared or proposed for the period ending 30 June 2019.

B6 Taxation

| | Current Quarter 30.06.2019 RM'000 | Cumulative Quarter 30.06.2019 RM'000 |
|---|--|---|
| On current year's results | | |
| - Real Property Gains Tax Malaysia ("RPGT") | (142) | (142) |
| - Transfer from / (to) deferred taxation | 76 | 152 |
| | <u>66</u> | <u>10</u> |

B7 Status of Corporate Proposals

On 9 and 10 May 2019, the Company announced that it has entered into a Sale and Purchase Agreement with Sumber Setiamas Sdn Bhd (1321249D) on 8 May 2019 for the disposal of a piece of leasehold land in Melaka measuring approximately 2.43 hectares equivalent to 261,563 sq ft for a total cash consideration of RM14,385,965.00 only.

Further to the consent to transfer which has been duly obtained from the relevant authority, the Completion Date of the SPA is expected to take place on 2 October 2019.

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B8 Group Borrowings

Details of the Group's borrowings as at 30 June 2019 were as follows:-

| Term Loan Borrowings | Short Term RM'000 | Long Term RM'000 | Total RM'000 |
|----------------------|----------------------|---------------------|-----------------|
| Secured | 5,520 | 62,964 | 68,484 |

The credit facilities of the group are obtained by a charge over all its assets with corporate guarantee.

Borrowings are denominated in Ringgit Malaysia.

B9 Material litigation

The Group is not engaged in any material litigation and is not aware of any proceedings which might materially affect the Group for the current financial year.

B10 Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk at the date of the issue of this quarterly report.

B11 Earnings / (Loss) per Share (EPS)

Basic EPS and diluted EPS are calculated by dividing the net loss attributable to the ordinary equity holders of the Company of RM1.99million for the financial year by the number of ordinary shares of 131,866,787 in issue during the financial year.

B12 Gains / (losses) arising from fair value changes of financial liabilities

There were no gains / (losses) during this quarter arising from fair value changes of financial liabilities.