

**VERSATILE CREATIVE BERHAD**

(Company No. : 603770-D)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018****CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2018**

(The figures have not been audited)

	Note	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
		30/09/2018 RM '000	30/09/2017 RM '000	30/09/2018 RM '000	30/09/2017 RM '000
Revenue	A10	13,767	13,147	28,914	26,580
Cost of sales		(12,923)	(9,989)	(26,193)	(20,545)
Gross profit		844	3,158	2,721	6,035
Other income		74	127	100	415
Distribution expenses		(634)	(702)	(1,473)	(1,365)
Administrative expenses		(2,576)	(2,248)	(7,419)	(4,476)
(Loss)/Profit before interest and taxation		(2,292)	335	(6,071)	609
Interest income		6	33	39	69
Finance costs		(294)	(272)	(575)	(558)
(Loss)/Profit before taxation		(2,580)	96	(6,607)	120
Taxation	B5	-	-	-	-
(Loss)/Profit after taxation		(2,580)	96	(6,607)	120
Other comprehensive income					
Gain/(loss) on fair value changes of other investment		814	492	(2,790)	2,961
Total other comprehensive income/(loss) for the financial period		814	492	(2,790)	2,961
Total comprehensive (loss)/ income for the financial period		(1,766)	588	(9,397)	3,081
(Loss)/Earnings per share - Basic (sen)	B11	(2.00)	0.08	(5.12)	0.10

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2018)

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018**

	Note	As at 30/09/2018 (Unaudited) RM'000	As at 31/03/2018 (Audited) RM'000
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		46,060	46,974
Other Investments		12,223	14,982
		<u>58,283</u>	<u>61,956</u>
Current Assets			
Trade and other receivables		20,131	23,024
Inventories		7,046	7,916
Other Investment		398	868
Fixed Deposits Placed with a Licensed Bank		826	824
Cash and Bank Balances		263	197
		<u>28,664</u>	<u>32,829</u>
Total Assets		<u>86,947</u>	<u>94,785</u>

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**UNAUDITED INTERIM FINANCIAL REPORT
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(Continued)**

	Note	As at 30/09/2018 (Unaudited) RM'000	As at 31/03/2018 (Audited) RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share Capital		67,390	63,142
Revaluation Reserve		16,099	16,099
Fair Value Reserve		221	3,011
Accumulated Losses		(36,729)	(30,122)
Total Equity		<u>46,981</u>	<u>52,130</u>
LIABILITIES			
Non-Current Liabilities			
Loan and Borrowings	B8	463	493
Deferred Tax Liabilities		7,023	7,023
		<u>7,486</u>	<u>7,516</u>
Current Liabilities			
Trade and other payables		15,043	16,715
Current Tax Liabilities		4	268
Loan and Borrowings	B8	17,433	18,156
		<u>32,480</u>	<u>35,139</u>
Total Liabilities		39,966	42,655
Total Equity and Liabilities		<u>86,947</u>	<u>94,785</u>
Net Assets per share (RM)		<u>0.40</u>	<u>0.44</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2018)

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
30 SEPTEMBER 2018**

	Attributable to equity holders of the Company				
	Non-Distributable				
	Share Capital RM'000	Revaluation Reserve RM'000	Fair value Reserve RM'000	Accumulated Losses RM'000	Total Equity RM'000
<u>Period ended 30 September 2018 (Unaudited)</u>					
At 01 April 2018	63,142	16,099	3,011	(30,122)	52,130
Issuance of ordinary shares	4,248	-	-	-	4,248
Loss for the period	-	-	-	(6,607)	(6,607)
Other comprehensive loss for the financial period	-	-	(2,790)	-	(2,790)
Total comprehensive income/(loss) for the financial period	4,248	-	(2,790)	(6,607)	(5,149)
At 30 September 2018	67,390	16,099	221	(36,729)	46,981
<u>Period ended 30 September 2017 (Unaudited)</u>					
At 01 April 2017	63,142	16,449	(393)	(23,870)	55,328
Profit for the period	-	-	-	120	120
Other comprehensive income for the financial period	-	-	2,961	-	2,961
Total comprehensive income for the financial period	-	-	2,961	120	3,081
At 30 September 2017	63,142	16,449	2,568	(23,750)	58,409

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2018)

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
30 SEPTEMBER 2018**

(The figures have not been audited)

	30/09/2018	30/09/2017
	<u>RM'000</u>	<u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/Profit before taxation	(6,607)	120
<u>Adjustments for non-cash flow items:</u>		
Non-cash items	4,460	1,340
Non-operating items	536	489
Operating (loss)/profit before working capital changes	(1,611)	1,949
<u>Changes in working capital:</u>		
Inventories	870	(1,189)
Trade and other receivables	335	153
Trade and other payables	(1,671)	(2,995)
Cash used in operations	(2,077)	(2,082)
Interest received	39	69
Interest paid	(144)	(125)
Net income tax paid	(250)	(5)
Net cash used in operating activities	<u>(2,432)</u>	<u>(2,143)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Acquisition of property, plant and equipment	(844)	(515)
Fixed deposit held as security value	(2)	(2)
Proceeds from disposal of property, plant and equipment	-	36
Proceeds from disposal of other investment	280	400
Net cash used in investing activities	<u>(566)</u>	<u>(81)</u>

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
30 SEPTEMBER 2017 (Continued)**

	30/09/2018	30/09/2017
	<u>RM'000</u>	<u>RM'000</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Interest paid	(431)	(433)
(Repayment)/drawdown of borrowings	(292)	2,510
Proceed from issuance of ordinary shares	4,248	-
Repayment of finance lease liabilities	(643)	(649)
Net cash from financing activities	<u>2,882</u>	<u>1,428</u>
NET CHANGE IN CASH & CASH EQUIVALENTS	(116)	(796)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	(3,532)	(2,731)
CASH & CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u><u>(3,648)</u></u>	<u><u>(3,527)</u></u>
Analysis of Cash & Cash Equivalents:		
	RM'000	RM'000
Cash and bank balances	263	225
Fixed deposit placed with a licensed bank	826	803
`	1,089	1,028
Less: Fixed deposit pledged to a licensed bank	(826)	(803)
Less: Bank overdraft	(3,911)	(3,752)
	<u><u>(3,648)</u></u>	<u><u>(3,527)</u></u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2018)



**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018**

NOTES TO INTERIM FINANCIAL REPORT

A. DISCLOSURE REQUIREMENTS AS PER MFRS 134

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial report should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 March 2018.

Adoption of Standards, Amendments and Issue Committee (IC) Interpretations

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:

New MFRSs

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
MFRS 16	Leases

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 4	Insurance Contracts
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 14	Regulatory Deferral Accounts
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investment in Associates and Joint Ventures
MFRS 134	Interim Financial Reporting
MFRS 137	Provision, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 140	Investment Property

New IC Int

IC Int 22	Foreign Currency Transactions and Advance Consideration
IC Int 23	Uncertainty over Income Tax Treatments



**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018**

2. Audit Report Qualification and Status of Matters Raised

The annual audited financial statements of the Group for the year ended 31 March 2018 were qualified.

3. Seasonal or Cyclical Nature of Operations

The Group operates in three main business segments which can be affected by seasonal and cyclical factors of operations.

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial quarter under review.

5. Changes in Estimates

There were no significant changes in the estimates which have a material effect for the current financial quarter under review.

6. Valuation of Property, Plant and Equipment

Land and building have been brought forward, without amendment from annual audited statements for the financial year ended 31 March 2018.

7. Changes in Debt and Equity Securities

During the financial year-to-date, the Company has issued the following ordinary shares:

<u>Date of issue</u>	<u>No. of shares issued</u>	<u>Issue price</u>	<u>Consideration</u>	<u>Purpose</u>
2 July 2018	11,733,800	RM0.362	Cash	Working capital

The new shares issued rank pari passu in respect of distribution of dividend and repayment of capital with the existing shares.

There were no issuance and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares or resale of treasury shares for the current financial quarter under review.

8. Dividend Paid

There was no dividend paid during the current financial quarter under review.

9. Material Events Subsequent to the End of the Reporting Period

There are no material events subsequent to the end of the reporting period which may substantially affect the results or the operations of the Group.

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018****10. Operating Segments**

The Group's operating segments for the financial year ended 30 September 2018 were as follows:

Segmental information for 6 months ended 30 September 2018

Business Segment	Financial period ended 30 September 2018					Consolidated RM'000
	Paper products RM'000	Plastic products RM'000	Colour Separation & Printing RM'000	Others RM'000	Elimination RM'000	
Revenue from external customers	19,572	9,031	311	-	-	28,914
Inter-segment revenue	164	-	23	1,622	(1,809)	-
Total revenue	19,736	9,031	334	1,622	(1,809)	28,914
Operating results	(4,063)	(1,667)	(146)	(195)	-	(6,071)
Interest income						39
Interest expense						(575)
Loss before taxation						(6,607)
Taxation						-
Loss after taxation						(6,607)

Segmental information for 6 months ended 30 September 2017

Business Segment	Financial period ended 30 September 2017					Consolidated RM'000
	Paper products RM'000	Plastic products RM'000	Colour Separation & Printing RM'000	Others RM'000	Elimination RM'000	
Revenue from external customers	16,052	9,639	889	-	-	26,580
Inter-segment revenue	436	-	59	592	(1,087)	-
Total revenue	16,488	9,639	948	592	(1,087)	26,580
Operating results	2,262	(570)	(204)	(879)	-	609
Interest income						69
Interest expense						(558)
Profit before taxation						120
Taxation						-
Profit after taxation						120



**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018**

11. Changes in the Composition of the Group

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

12. (Loss)/Profit Before Taxation

The following items have been charged/(credited) in arriving at the profit/(loss) before taxation:

	Individual Financial		Cumulative Financial	
	Quarter Ended		Quarter Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
The following items have been charged/(credited) in arriving (loss)/profit before taxation:				
Depreciation of property, plant and equipment	595	739	1,758	1,479
Loss/(gain) on disposal of other investments	-	-	160	(92)
Gain on disposal of property, plant and equipment	-	(28)	-	(36)
Impairment loss on receivables no longer required	-	(11)	-	(11)
Interest expense	293	272	575	558
Interest income	(6)	(33)	(39)	(69)
Net foreign exchange (gain)/loss	(21)	33	39	275

13. Changes in Contingent Liabilities

There were no contingent liabilities incurred or known to be incurred by the Group as at 30 September 2018.

14. Provision for Warranties

There was no provision for warranties for the current financial quarter under review.

15. Capital Commitments

There were no capital commitments as at 30 September 2018.

16. Related Party Transactions

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

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018****B. Additional information required by the Bursa Malaysia’s Listing Requirements****1. Review of Current Quarter Performance****Revenue**

	Individual Quarter		Variances
	Q2-FY'19 (Unaudited)	Q2-FY'18 (Unaudited)	
	RM'000		
<u>Segmental Revenue</u>			
Paper Products	9,094	8,434	660
Plastic Products	4,590	4,706	(116)
Colour Separation & Printing	155	263	(108)
Others	758	291	467
Elimination	(830)	(547)	(283)
Group Revenue	13,767	13,147	620

The Group revenue for the current quarter (“Q2 FY19”) increased by RM0.62 million or 4.72% to RM13.77 million, as compared with RM13.15 million recorded in last year’s corresponding quarter (“Q2 FY18”). The increase in revenue mainly from the Paper Products division mitigated by the decrease in revenue emanated from the Plastic Products and Colour Separation & Printing division attributable to the following factors:

- Increase in sales orders from the major existing customers in the Paper Product division.
- Slight reduce in sales demand in the Group Plastics Products and the Group Colour Separation & Printing division

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018****(Loss)/Profit Before Taxation**

	Individual Quarter		Variances
	Q2-FY'19 (Unaudited)	Q2-FY'18 (Unaudited)	
	RM'000		
Operating Profit:			
Paper Products	(869)	1,413	(2,282)
Plastic Products	(1,070)	(387)	(683)
Colour Separation & Printing	(144)	(190)	46
Others	(209)	(501)	292
Operating Profit	(2,292)	335	(2,627)
Finance:			
Total Finance	(288)	(239)	(49)
<u>Segmental (Loss)/Profit Before Taxation</u>			
Group (Loss)/ Profit Before Taxation	(2,580)	96	(2,676)

The Group registered a loss before taxation of RM2.58 million in Q2 FY19, compared against the Q2 FY18 profit before taxation of RM96k. Decrease by of RM2.68 million in profit before taxation were mainly due to following reasons:

- Significant drop in operating results in Paper Products division and Plastic Products divisions by RM2.28 million and RM0.68 million respectively were mainly pertains to increase in raw materials price which cause significant drop in profit margin.
- The overall decrease was mitigated by the slight increase operating profit in Colour Separation & Printing mainly due drop in employee's headcounts for the marketing department.

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018****2. Variation of Results against Immediate Preceding Quarter
Revenue**

	Individual Quarter		Variances
	Q2-FY'19 (Unaudited)	Q1-FY'19 (Unaudited)	
	RM'000		
<u>Segmental Revenue</u>			
Paper Products	9,094	10,642	(1,548)
Plastic Products	4,590	4,441	149
Colour Separation & Printing	155	178	(23)
Others	758	864	(106)
Elimination	(831)	(978)	147
Group Revenue	13,766	15,147	(1,381)

The Group recorded a decrease in revenue of RM1.38 million or 9.12% to RM13.77 million (Q1 FY19: RM15.15 million), mainly due to lower sales achieved in the Group Paper Products and Colour Separation & Printing. The decrease was mitigated by the slight increase in the Group Plastics Products by 3.36% due to increase in demand from the existing customers.

(Loss)/Before Taxation

	Individual Quarter		Variances
	Q2-FY'19 (Unaudited)	Q1-FY'19 (Unaudited)	
	RM'000		
Operating Profit:			
Paper Products	(869)	(3,194)	2,325
Plastic Products	(1,070)	(597)	(473)
Colour Separation & Printing	(144)	(3)	(141)
Others	(209)	15	(224)
Operating Profit	(2,292)	(3,779)	1,487

Finance:

Total Finance	(288)	(248)	(40)
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Segmental Profit Before Taxation

Group Profit Before Taxation	(2,580)	(4,027)	1,447
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The Group registered a loss before taxation of RM2.58 million in Q2 FY19, which was RM1.45 million lower, compared against the Q1 FY19 loss before taxation of RM4.03 million. This mainly due to the RM2.30 million impairment made for land conversion in the previous quarter.



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3. Prospects

Following the change in leadership in the Malaysian Government after general election in May 2018, the management will monitor closely changes in the Government policies, if any, which may impact its operations. The anticipated change in the tax regime following the proposed abolishment of Goods and Services Tax Act, 2014 and the proposed reintroduction of Sales and Services Tax Act is not expected to have major effect on the operations of the Group. However, although manufacturing firms have not yet felt the impact of the SST, some were concerned over the impact on future orders.

Next year, the economy should be supported by strong private consumption growth and a solid manufacturing sector. However, the postponement and possible cancellation of large infrastructure projects could dampen domestic demand somewhat. Moreover, risks are tilted to the downside and include a possible intensification of trade tensions, heightened volatility in financial markets, and uncertainty over the fiscal position. Focus Economics Consensus Forecast panelists expect the economy to grow 4.7% in 2019, which is down 0.1 percentage points from last month, and 4.5% in 2020.

The Paper Products Division will focus in machine acquisitions and reconditioning to improve efficiencies and productivity of its operations and processes, at the same time focusing on the strategies of growing sales via penetration of new market segments; regaining back orders from old customers and improving market share of existing customers to lower down its fixed cost per unit to mitigate its increasing raw material costs and minimize the burden of this negative impact to pass on to its customers.

The Plastic Products Division will focus on the production strategies in reducing its material wastages via utilization of its waste material to produce secondary products and the marketing strategies in regaining back orders from old customers.

Despite the highly competitive and challenging business environment, the Group is committed to focus on progressive product quality enhancements, greater production efficiencies and ongoing cost management.

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This is not applicable.

5. Taxation

	Individual Financial		Cumulative Financial	
	Quarter Ended		Quarter Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
Taxation				
- in current quarter	-	-	-	-
- (under)/over provision in prior year	-	-	-	-
Deferred taxation				
- in current quarter	-	-	-	-
- under provision in prior year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

6. Disposal of Quoted or Unquoted Investments or Properties

There were no disposals of unquoted investments or properties included in the results of the Group for the current financial quarter.

7. Status of Corporate ExerciseNew issue of securities (Chapter 6 of listing requirements) fund raising

The Private Placement is deemed completed following the listing of and quotation for 11,733,800 Placement Shares on the Main Market of Bursa Malaysia Securities Berhad with effect from 9.00 a.m., 2 July 2018.

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**UNAUDITED INTERIM FINANCIAL REPORT
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a) Total Group's borrowings as at the reporting quarter were as follows:

	As at 30/09/2018 (Unaudited) RM'000	As at 31/03/2018 (Audited) RM'000
<u>Short term borrowings</u>		
<i>Secured</i>		
Borrowings	12,690	12,982
Finance Lease Liabilities	832	1,445
Bank Overdraft	3,911	3,729
	<u>17,433</u>	<u>18,156</u>
 <u>Long term borrowings</u>		
<i>Secured</i>		
Finance Lease Liabilities	463	493
Total Group's Borrowings	<u>17,896</u>	<u>18,649</u>

9. Realised and Unrealised Profits or Losses

The accumulated losses as at 30 September 2018 and 31 March 2018 were analysed as follows:

	As At 30/09/2018 (Unaudited) RM'000	As At 31/03/2018 (Audited) RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(30,600)	(23,099)
- Unrealised	(7,023)	(7,023)
	<u>(37,623)</u>	<u>(30,122)</u>
Consolidation adjustments	894	-
Total Group accumulated losses	<u>(36,729)</u>	<u>(30,122)</u>

10. Dividend

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

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**UNAUDITED INTERIM FINANCIAL REPORT
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11. Earnings/(Loss) per share**(a) Basic earnings/(loss) per share**

The calculation of basic earnings/(loss) per share for the financial period is based on the net earnings/(loss) attributable to equity holders of the parent company and divided by the number of ordinary shares outstanding during the financial period.

	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
Group's (loss)/profit attributable to owners of the parent company (RM'000)	(2,580)	96	(6,607)	120
Weighted average number of ordinary shares in issue ('000)	129,072	117,339	129,072	117,339
Basic (loss)/earnings per share (sen)	(2.00)	0.08	(5.12)	0.10

(b) Diluted loss/(earnings) per share

The Group does not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings/(loss) per share.