

CHIN WELL HOLDINGS BERHAD

(371551-T)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 - UNAUDITED

	Unaudited As at 31.12.19 RM'000	Audited As at 30.06.19 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	158,982	154,282
Investment properties	4,757	4,790
Other investment	-	-
	<u>163,739</u>	<u>159,072</u>
Current assets		
Inventories	269,075	266,299
Trade and other receivables	156,103	149,078
Current tax assets	10,911	5,537
Cash and bank balances	114,681	124,217
	<u>550,770</u>	<u>545,131</u>
TOTAL ASSETS	<u>714,509</u>	<u>704,203</u>
EQUITY AND LIABILITIES		
Share capital	177,929	177,929
Reserves	397,994	399,439
Total equity	<u>575,923</u>	<u>577,368</u>
Non-current liabilities		
Deferred tax liabilities	8,364	8,396
Current liabilities		
Trade and other payables	32,817	29,275
Borrowings	96,872	89,164
Dividend payables	-	-
Current tax liabilities	533	-
	<u>130,222</u>	<u>118,439</u>
Total liabilities	<u>138,586</u>	<u>126,835</u>
TOTAL EQUITY AND LIABILITIES	<u>714,509</u>	<u>704,203</u>
Net assets per share (RM)	1.96	1.97

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited Financial Statements for the financial year ended 30 June 2019. The accompanying notes are an integral part of these interim financial statements.

CHIN WELL HOLDINGS BERHAD

(371551-T)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTHS PERIOD ENDED 31 DECEMBER 2019 - UNAUDITED

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31.12.19 RM'000	31.12.18 RM'000	31.12.19 RM'000	31.12.18 RM'000
Revenue	147,703	165,144	303,168	341,480
Cost of sales	<u>(136,211)</u>	<u>(136,975)</u>	<u>(276,833)</u>	<u>(286,561)</u>
Gross profit	11,492	28,169	26,335	54,919
Other income	1,028	1,231	2,195	4,257
Administrative expenses	(4,471)	(7,050)	(9,137)	(11,684)
Selling and distribution expenses	<u>(2,016)</u>	<u>(2,992)</u>	<u>(4,103)</u>	<u>(5,980)</u>
Operating profit	6,033	19,358	15,290	41,512
Finance costs	<u>(626)</u>	<u>(832)</u>	<u>(1,339)</u>	<u>(1,460)</u>
Profit before tax	5,407	18,526	13,951	40,052
Tax expense	<u>(1,131)</u>	<u>(2,858)</u>	<u>(2,962)</u>	<u>(6,452)</u>
Profit for the financial period/year	4,276	15,668	10,989	33,600
Other comprehensive income/(loss), net of tax				
Item that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	<u>(4,651)</u>	<u>1,070</u>	<u>(1,271)</u>	<u>2,852</u>
Total comprehensive income attributable to the owners of the company for the financial period/year	<u><u>(375)</u></u>	<u><u>16,738</u></u>	<u><u>9,718</u></u>	<u><u>36,452</u></u>
Earnings per share attributable to owners of the Company (sen)				
- Basic/Diluted	<u><u>1.46</u></u>	<u><u>5.33</u></u>	<u><u>3.74</u></u>	<u><u>11.44</u></u>

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group's audited Financial Statements for the financial year ended 30 June 2019. The accompanying notes are an integral part of these interim financial statements.

CHIN WELL HOLDINGS BERHAD

(371551-T)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS PERIOD ENDED 31 DECEMBER 2019 - UNAUDITED

	----- Non-distributable -----			Distributable		Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Foreign Translation Reserve RM'000	Retained Profits RM'000	
At 1 July 2019	177,929	Note (1) -	(10,164)	28,991	380,612	577,368
Foreign exchange differences on translation	-	-	-	(1,271)	-	(1,271)
Profit for the financial year	-	-	-	-	10,989	10,989
Total comprehensive income for the financial year	-	-	-	(1,271)	10,989	9,718
Transactions with owners:						
Purchase of treasury shares	-	-	(1,328)	-	-	(1,328)
Dividends	-	-	-	-	(9,835)	(9,835)
Total transactions with owners	-	-	(1,328)	-	(9,835)	(11,163)
At 30 Dec 2019	<u>177,929</u>	<u>-</u>	<u>(11,492)</u>	<u>27,720</u>	<u>381,766</u>	<u>575,923</u>
At 1 July 2018	177,929	-	(9,424)	26,425	348,295	543,225
Foreign exchange differences on translation	-	-	-	2,852	-	2,852
Profit for the financial year	-	-	-	-	33,600	33,600
Total comprehensive income for the financial year	-	-	-	2,852	33,600	36,452
Transaction with owners:						
Purchase of treasury shares	-	-	(648)	-	-	(648)
Dividends	-	-	-	-	(12,046)	(12,046)
Total transactions with owners	-	-	(648)	-	(12,046)	(12,694)
At 31 Dec 2018	<u>177,929</u>	<u>-</u>	<u>(10,072)</u>	<u>29,277</u>	<u>369,849</u>	<u>566,983</u>

Note:

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account becomes 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 RM28,162,800 for purposes as set out in Sections 618(3) of the Act. 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.

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Group's audited Financial Statements for the financial year ended 30 June 2019. The accompanying notes are an integral part of these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS PERIOD ENDED 31 DECEMBER 2019 - UNAUDITED

	31.12.19 RM'000	31.12.18 RM'000
Cash flows from operating activities		
Profit before tax	13,951	40,052
Adjustments for:		
Depreciation	6,091	5,460
Gain on disposal of property, plant and equipment	(51)	(20)
Impairment loss charge on receivables	597	108
Interest expense	1,339	1,460
Interest income	(1,413)	(1,213)
Other investment written off	-	-
Property, plant and equipment written off	185	-
Inventory written down	-	-
Unrealised loss on foreign exchange	218	152
Operating profit before working capital changes	20,917	45,999
Increase in inventories	(3,520)	(27,276)
(Increase)/Decrease in receivables	(7,821)	11,739
Increase in payables	3,656	2,421
Cash from operation	13,232	32,883
Interest paid	(1,339)	(1,460)
Income tax paid	(7,857)	(8,027)
Net cash from operating activities	4,036	23,396
Cash flows from investing activities		
Interest received	1,413	1,213
Proceeds from disposal of property, plant and equipment	51	2
Purchase of property, plant and equipment	(11,358)	(21,005)
Net cash used in investing activities	(9,894)	(19,790)
Cash flows from financing activities		
Dividend paid	(9,835)	(12,046)
Net change in borrowings	7,709	10,645
Purchase of treasury shares	(1,328)	(648)
Net cash used in financing activities	(3,454)	(2,049)
Net (decrease)/increase in cash and bank balances	(9,312)	1,557
Effect of changes in exchange rate on cash and bank balances	(224)	167
Cash and bank balances at beginning	124,217	117,656
Cash and bank balances at end	114,681	119,380

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's audited Financial Statements for the financial year ended 30 June 2019. The accompanying notes are an integral part of these interim financial statements.

CHIN WELL HOLDINGS BERHAD

(371551-T)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Part A - Explanatory Notes Pursuant To MFRS 134

A1. Basis of Preparation

The condensed consolidated interim financial statements ("Report") have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The audited financial statements of the Group for the financial year ended 30 June 2019 were prepared in accordance with MFRS. The significant accounting policies adopted in preparing this Report are consistent with those of the audited financial statements for the financial year ended 30 June 2019.

A2. Significant Accounting Policies

A2.1 Adoption of MFRS and amendments to MFRS

The following MFRS and amendments to MFRS have come into effect during the current financial period:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16 Leases

Amendments to MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

IC Int 23 Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle

The initial application of the above standards does not have any significant financial impacts to the Group's financial statements.

A2.2 Standards issued but not yet effective

At the date of authorisation of this Report, the following standards were issued but not yet effective and have not been early applied by the Group:

Effective for annual period beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 3 Business Combinations: Definition of a Business

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108

Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material

Effective for annual period beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

Effective date yet to be confirmed

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

A3. Audit Report of Preceding Annual Financial Statements

The auditors' report of the Group's most recent annual audited financial statements for the financial year ended 30 June 2019 was not subject to any qualification.

A4. Seasonal or Cyclical Factors

The business of the Group was not affected by seasonal or cyclical factors. Factors such as world economic growth might have implication on the Group's revenue.

A5. Unusual Items

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

A6. Changes in Estimates

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

A7. Debt and Equity Securities

There was no issuance, cancellation, repurchases, resale and repayment of debt and equity securities during the current financial period under review, except as follows:

	Treasury shares	
	No. of Shares	RM
Repurchase of own shares during the current period to date	862,900	1,328,285
Repurchase of own shares as of 31.12.2019	6,748,200	11,491,973

A8. Dividend Paid

The dividend paid during the current reporting period to date and the previous corresponding period is as per below:

	Financial period ended 31.12.19 RM
Second interim single tier dividend paid on 22 November 2019 for the financial year ended 30 June 2019	
- 3.35 sen per ordinary share	9,835,160
	<u>9,835,160</u>
	Financial period ended 31.12.18 RM
Second interim single tier dividend paid on 27 September 2018 for the financial year ended 30 June 2018	
- 4.1 sen per ordinary share	12,046,405
	<u>12,046,405</u>

A9. Segment Information

Segment information is presented in respect of the Group's business segments. Inter-segment pricing is determined based on negotiated basis.

(i) Analysis by business segments

	Fastener Products RM'000	Wire Products RM'000	Investment Holding RM'000	Elimination/ Adjustment RM'000	Group RM'000
6 months ended 31 December 2019					
Revenue					
External revenue	246,921	56,247	-	-	303,168
Inter-segment revenue	-	-	-	-	-
Total revenue	<u>246,921</u>	<u>56,247</u>	<u>-</u>	<u>-</u>	<u>303,168</u>
Results					
Segment profit	17,340	2,605	23	-	19,968
Finance costs	(1,000)	(339)	-	-	(1,339)
Interest income	968	74	371	-	1,413
Depreciation	(4,186)	(1,905)	-	-	(6,091)
Profit before tax	<u>13,122</u>	<u>435</u>	<u>394</u>	<u>-</u>	<u>13,951</u>
Segment assets	<u>584,941</u>	<u>110,974</u>	<u>338,610</u>	<u>(320,016)</u>	<u>714,509</u>
Segment liabilities	<u>117,189</u>	<u>27,582</u>	<u>39</u>	<u>(6,224)</u>	<u>138,586</u>

	Fastener Products RM'000	Wire Products RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
6 months ended 31 December 2018					
Revenue					
External revenue	257,938	83,542	-	-	341,480
Inter-segment revenue	-	-	-	-	-
Total revenue	<u>257,938</u>	<u>83,542</u>	<u>-</u>	<u>-</u>	<u>341,480</u>
Results					
Segment profit	40,088	5,394	277	-	45,759
Finance costs	(870)	(590)	-	-	(1,460)
Interest income	896	36	281	-	1,213
Depreciation	(4,033)	(1,427)	-	-	(5,460)
Profit before tax	<u>36,081</u>	<u>3,413</u>	<u>558</u>	<u>-</u>	<u>40,052</u>
Segment assets	<u>552,896</u>	<u>127,816</u>	<u>336,795</u>	<u>(317,347)</u>	<u>700,160</u>
Segment liabilities	<u>106,744</u>	<u>44,122</u>	<u>208</u>	<u>(17,897)</u>	<u>133,177</u>

(ii) Analysis by geographical segments

	Revenue 6 months		Non-current Assets*	
	ended	ended	as at	as at
	31.12.19 RM'000	31.12.18 RM'000	31.12.19 RM'000	31.12.18 RM'000
Malaysia	160,772	115,300	101,907	96,128
Vietnam	2,116	3,464	61,832	64,040
Other Asian countries	32,353	48,035	-	-
European countries	53,905	133,140	-	-
North America	49,175	13,290	-	-
Others	4,847	28,251	-	-
	<u>303,168</u>	<u>341,480</u>	<u>163,739</u>	<u>160,168</u>

* Non-current assets information presented excludes financial assets.

A10. Valuations of Property, Plant and Equipment

There were no changes in the valuation of property, plant and equipment since the last audited financial statements for the financial year ended 30 June 2019.

A11. Event Subsequent to the End of the Reporting Period

There were no material events subsequent to the end of the reporting period.

A12. Contingencies

There were no contingent assets or contingent liabilities since the end of the last annual reporting period.

A13. Changes in Group's Composition

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

A14. Capital Commitments

The Group has no major capital commitments as at the end of the reporting period except the followings:

Approved and contracted for:	RM'000
- Property, plant and equipment	<u>2,749</u>

Part B - Explanatory Notes Pursuant To Appendix 9B Of The Listing Requirements Of Bursa Malaysia Securities Berhad

B1. Performance Analysis of all Operating Segments

Comparison with the corresponding quarter and financial year to date in the previous financial year

	Individual Quarter 3 months ended		Changes		Cumulative Quarter 6 months ended		Changes	
	31.12.19	31.12.18	RM'000	%	31.12.19	31.12.18 RM'000	RM'000	%
	RM'000	RM'000			RM'000	RM'000		
<u>Revenue - Business Segments</u>								
-- Fasteners Products	119,373	123,293	(3,920)	-3.2%	246,921	257,938	(11,017)	-4.3%
-- Wire Products	28,330	41,851	(13,521)	-32.3%	56,247	83,542	(27,295)	-32.7%
	<u>147,703</u>	<u>165,144</u>	<u>(17,441)</u>	<u>-10.6%</u>	<u>303,168</u>	<u>341,480</u>	<u>(38,312)</u>	<u>-11.2%</u>
					303,168	341,480		
<u>Profit/(Loss) before interest & tax</u>								
-- Fasteners Products	5,547	17,570	(12,023)	-68.4%	14,122	36,951	(22,829)	-61.8%
-- Wire Products	277	1,569	(1,292)	-82.3%	774	4,003	(3,229)	-80.7%
-- Investment Holding	209	219	(10)	-4.6%	394	558	(164)	-29.4%
	<u>6,033</u>	<u>19,358</u>	<u>(13,325)</u>	<u>-68.8%</u>	<u>15,290</u>	<u>41,512</u>	<u>(26,222)</u>	<u>-63.2%</u>
					15,290	41,512		
<u>Profit/(Loss) before tax</u>								
-- Fasteners Products	5,045	17,100	(12,055)	-70.5%	13,122	36,081	(22,959)	-63.6%
-- Wire Products	153	1,207	(1,054)	-87.3%	435	3,413	(2,978)	-87.3%
-- Investment Holding	209	219	(10)	-4.6%	394	558	(164)	-29.4%
	<u>5,407</u>	<u>18,526</u>	<u>(13,119)</u>	<u>-70.8%</u>	<u>13,951</u>	<u>40,052</u>	<u>(26,101)</u>	<u>-65.2%</u>
					13,951	40,052		
<u>Profit/(Loss) after tax attributable to ordinary equity holders of the parent</u>								
-- Fasteners Products	3,953	14,688	(10,735)	-73.1%	10,293	30,608	(20,315)	-66.4%
-- Wire Products	114	918	(804)	-87.6%	305	2,593	(2,288)	-88.2%
-- Investment Holding	209	62	147	237.1%	391	399	(8)	-2.0%
	<u>4,276</u>	<u>15,668</u>	<u>(11,392)</u>	<u>-72.7%</u>	<u>10,989</u>	<u>33,600</u>	<u>(22,611)</u>	<u>-67.3%</u>
					10,989	33,600		

Overall Review of Group' Financial Performance

During the current financial period to date, the Group recorded a total revenue and total profit before tax of RM303.17 million and RM13.95 million respectively. Total revenue of the Group reduced by 11.2% in the current period to date. The continuing trade tension and global market uncertainties resulted in both lower turnover for the current financial period and orders being deferred to the future. The Group had to reduce the selling price of its products as a result of stiff competition in the market. As a result, the Group recorded a lower profit before tax of RM13.95 million for the current reporting period.

The equity attributable to the owners of the Company stands at RM575.92 million as at 31.12.2019 as compared to RM577.37 million as at 30.6.2019 after the declaration of dividends amounting to RM9.84 million set off with the earnings generated in the current financial period. The Company has bought back its own share from the market with a total value of RM1.33 million in the current reporting period to date.

As for the cash flow more cash has been expended for purchase of raw materials which had increased the Group bank borrowings by RM7.71 million. Beside working capital, the Group had spent RM11.36 million for capital expenditure in the current reporting period and paid dividend amounting to RM9.84 million to its shareholders.

Individual Quarter & Cumulative Quarter:

Fasteners Products

The Fasteners Products Division recorded a lower revenue of RM119.37 million in the current reporting quarter which represents a decrease of 3.2% as compared to the preceding year corresponding period while the profit before tax of the division dropped by RM12.06 million to RM5.05 million. The unresolved global trade tension, pro-long Brexit's uncertainties, the economic down turn in Europe and stiff competition in Asia had adversely affected the performance of the Group in the current reporting quarter.

Wire Products

The Wire Products Division recorded a decrease of 32.3% in its current quarter revenue as compared to RM41.85million in the preceding year corresponding quarter. The Wire Product Division faced stiff competition and lower sales to the Middle East during the current quarter. In line with the lower revenue the profit before tax of RM0.15 million is recorded in the current reporting quarter as compared to RM1.21 million in the corresponding quarter in the immediate preceding year.

Financial Year-To-Date Results:

The Group recorded a total revenue of RM303.17 million and a profit before tax of RM13.95 million in the current financial year to date.

Fasteners Products Division

The division recorded a total revenue of RM246.92 million in the current financial period to date which represents a decrease of 4.3% as compared the the preceding financial year. The increase in trading sales by RM40.46 million partially cushioned the decrease in sales of RM51.48 million in fasteners. However, the margin derived from trading is lower than the manufacturing of fasteners. This coupled with the price competition resulted in the profit before tax of the division decreasing by RM22.96 million to RM13.12 million in the current reporting period to date.

Wire Products Division

The Wire Products Division recorded a revenue of RM56.25 million and profit before tax of RM0.44 million in the current financial period to date which represented a drop of 32.7% and 87.3% respectively as compared to the corresponding reporting period.

B2. Variation of Results Against Preceding Quarter

	3 months ended 31.12.19 RM'000	3 months ended 30.09.19 RM'000	Changes	
			RM'000	%
<u>Revenue - Business Segments</u>				
-- Fasteners Products	119,373	127,548	(8,175)	-6.41%
-- Wire Products	28,330	27,917	413	1.48%
	<u>147,703</u>	<u>155,465</u>	(7,762)	-4.99%
<u>Profit/(Loss) before interest & tax</u>				
-- Fasteners Products	5,547	8,575	(3,028)	-35.31%
-- Wire Products	277	497	(220)	-44.27%
-- Investment Holding	209	185	24	12.97%
	<u>6,033</u>	<u>9,257</u>	(3,224)	-34.83%
<u>Profit/(Loss) before tax</u>				
-- Fasteners Products	5,045	8,077	(3,032)	-37.54%
-- Wire Products	153	282	(129)	-45.74%
-- Investment Holding	209	185	24	-12.97%
	<u>5,407</u>	<u>8,544</u>	(3,137)	-36.72%
<u>Profit/(Loss) after tax attributable to ordinary equity holders of the parent</u>				
-- Fasteners Products	3,953	6,340	(2,387)	-37.65%
-- Wire Products	114	191	(77)	40.31%
-- Investment Holding	209	182	27	-14.84%
	<u>4,276</u>	<u>6,713</u>	(2,437)	-36.30%

The Group recorded a total revenue of RM147.70 million and profit before tax of RM5.41 million for the current quarter under review.

Fasteners Products

The revenue of the Fastener Products Division is RM 119.37 million in the current quarter as compared to RM127.55 million in the immediate preceding quarter. As a result, profit before tax of the division decreased to RM5.05 million in the current quarter as compared to previous quarter of RM8.08 million. The performance of the division was affected by the continuing global economic issues during the reporting quarter which caused the decline in demand for fasteners.

Wire Products

The Wire Products Division recorded a revenue of RM28.33 million in the current reporting quarter as compared to the RM27.92 million in the immediate preceding quarter. The Wire division registered a profit before tax of RM0.15 million in the current quarter as compared to RM0.28 million in the immediate preceding quarter.

B3. Prospects

The market outlook for the Group in the remaining quarters of the current financial year is expected to remain challenging in view of the existing global market conditions such as the trade tension, economy downturn in Europe and the outbreak of coronavirus and its implications. The main factors that may affect the Group's performance will be the trend of the market demand in addition to the volatility of the raw material price. The unexpected global market movement and political issues will impact the changes in the raw material cost and bottom line of the Group. In order to cushion the stress from the safeguard duty which was imposed by the Malaysian government towards the end of the financial year ended 30 June 2017 on the wire rod imported from China, the Group had sourced its raw material from other alternative countries such as the Middle East and Vietnam which are duty exempted and without compromising the quality of our products.

The trade war between the US government and China had created the market uncertainties in Europe and US but at the same time it has also offered opportunity for the Group to strengthen its position in the region in the event that imported goods from China to the US market reduce in future. It is expected more orders could be secured by the Group from US market in the second half of the financial year with the completion of an expanded production line in Malaysia. The production of the reinforcement bar in Vietnam is also expected to contribute to higher Group's revenue. The existing DIY segment will continue to bring positive contribution to the Group's performance through the increase of its distribution network in the European and US markets. While for the Wire division, with the expansion in the production of new product lines such as welded fencing, gabion and poultry mesh, which had commenced production in the last quarter is expected to enhance the division's result in the long term with its high value added margin.

In addition to the existing core business, from time to time, the Group will explore into other new business ventures which will potentially benefit the growth of the Group.

Barring any unforeseen circumstances, the Group anticipates satisfactory performance in the current financial year.

B4. Profit Forecast

There was no profit forecast made in any public document.

B5. Profit For The Period

Included in profit or loss for the current quarter and financial year to to date are as follows:

	Current quarter	Current Year To
	RM'000	date
		RM'000
Depreciation	3,130	6,091
Impairment loss charge on receivables	501	597
Interest expense	626	1,339
Interest income	(996)	(1,413)
Gain on disposal of property, plant and equipment	-	(51)
Property, plant and equipment written off	(60)	185
Unrealised loss/(gain) on foreign exchange	655	218
Realised loss/(gain) on foreign exchange	(802)	(734)
Rental income	(108)	(216)

Other than the above items, there were no gain or loss on disposal of quoted or unquoted investments or properties, write off of inventories as well as other exceptional items.

B6. Tax Expense

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31.12.19	31.12.18	31.12.19	31.12.18
	RM'000	RM'000	RM'000	RM'000
- Current tax	(1,099)	(2,858)	(2,930)	(6,452)
- Deferred tax liabilities	(32)	-	(32)	-
	<u>(1,131)</u>	<u>(2,858)</u>	<u>(2,962)</u>	<u>(6,452)</u>

The Group's effective tax rate for the current period under review is lower than the Malaysian statutory income tax rate of 24%. This is mainly due to the lower tax rate enjoyed by the subsidiary in Vietnam. However, the Group's effective tax rate in the current quarter is higher than the corresponding quarter in the immediate preceding year mainly due to the expiry of tax reduction period for the subsidiary in Vietnam. With effect from the current reporting quarter, the statutory income tax rate applied by our Vietnam subsidiary is 20% as compared to 10% in the corresponding financial year.

B7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report.

B8. Borrowings and Debt Securities

The Group's borrowings :

As as 31.12.2019	Denominated in USD RM'000	Denominated in RM RM'000	Total RM'000
Secured:			
Short term			
Bankers acceptance	-	56,763	56,763
Onshore foreign currency loans	22,228	-	22,228
Short term loans	17,881	-	17,881
	<u>40,109</u>	<u>56,763</u>	<u>96,872</u>
As as 31.12.2018			
Secured:			
Short term			
Bankers acceptance	-	19,016	19,016
Onshore foreign currency loans	56,918	-	56,918
Short term loans	7,082	-	7,082
	<u>64,000</u>	<u>19,016</u>	<u>83,016</u>

- a. The total borrowings as at the end of the reporting period increased to RM96.87 million as compared to RM83.02 million as of 31.12.2018. Additional borrowings had been drawn down during the current financial period for working capital purpose. However the total finance cost in the current financial period decreased marginally to RM1.34 mil as compared to RM1.46 mil in the preceding year.
- b. The average interest rates of borrowings during the current reporting period to date are as follows:

	31.12.19 %	31.12.18 %
Borrowings denominated in RM		
- Bankers acceptance	3.53	3.84
-Overdraft	-	-
Borrowings denominated in USD		
- Onshore foreign currency loans	2.14	2.75
- Short term loans	4.37	5.56

All the borrowings are based on floating interest rates.

- c. Borrowings denominated in USD are not hedged to RM as the borrowings will be paid off from the export proceeds of the respective subsidiaries denominated in foreign currencies.

B9. Material Litigation

There was no material litigation during the financial period under review.

B10. Proposed Dividend

a. Dividend declared during the current reporting quarter and the corresponding quarter:

	Current Quarter	Corresponding Quarter
Interim dividend for the financial year	30.6.2020	30.6.2019
Declared and approved on	27.2.2020	26.2.2019
Entitlement date	24.4.2020	26.4.2019
Payment date	22.5.2020	21.5.2019
Dividend per share	1.50 sen	4.50 sen
Dividend % (Single Tier)	3.0% (single tier)	9.0% (single tier)
Net dividend payable	RM4,387,857	RM13,214,199

b. The total dividend declared for the current financial year ended 30 June 2020 is 1.50 sen per share.

B11. Earnings Per Share

(i) Basic earnings per share

The basic earnings per share has been calculated based on the Group's profit after tax attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the financial period:

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31.12.19	31.12.18	31.12.19	31.12.18
Profit after tax				
Attributable to owners of the Company (RM'000)	4,276	15,668	10,989	33,600
Weighted average number of ordinary shares ('000)	293,435	293,831	293,435	293,831
Basic Earnings Per Share (sen)	1.46	5.33	3.74	11.44

(ii) Diluted Earnings Per Share

Diluted Earnings Per Share (sen)	1.46	5.33	3.74	11.44
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There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the reporting period.