HUP SENG INDUSTRIES BERHAD (226098-P)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Statement of Comprehensive Income

For the period ended 31 March 2018

The figures have not been audited

	Note	2018 CURRENT QUARTER ENDED 31 March RM'000	2017 CURRENT QUARTER ENDED 31 March RM'000	2018 3 MONTHS CUMULATIVE TO DATE RM'000	2017 3 MONTHS CUMULATIVE TO DATE RM'000
Revenue		77,145	73,854	77,145	73,854
Cost of sales		(48,824)	(45,134)	(48,824)	(45,134)
Gross profit		28,321	28,720	28,321	28,720
Other income		1,053	1,268	1,053	1,268
Administrative expenses		(5,344)	(5,081)	(5,344)	(5,081)
Selling and marketing expenses		(9,114)	(9,396)	(9,114)	(9,396)
Operating profit		14,916	15,511	14,916	15,511
Finance cost		-	-	-	-
Profit before tax	10	**14,916**	**15,511**	**14,916**	**15,511**
Income tax expense	23	(3,811)	(3,932)	(3,811)	(3,932)
Profit for the period		**11,105**	**11,579**	**11,105**	**11,579**
Total comprehensive income for the period, net of tax		**11,105**	**11,579**	**11,105**	**11,579**
Profit attributable to : Owners of the Parent		11,105	11,579	11,105	11,579
Total Comprehensive Income for the period, net of tax attributable to : Owners of the Parent		11,105	11,579	11,105	11,579
Earnings per share attributable to Owners of the Parent (sen) :					
-Basic	32(a)	1.39	1.45	1.39	1.45
-Diluted	32(b)	1.39	1.45	1.39	1.45

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements)

HUP SENG INDUSTRIES BERHAD (226098-P)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position
As at 31 March 2018
The figures have not been audited

	Note	As at 31/03/2018 RM'000	As at 31/12/2017 RM'000
ASSETS:			
Non-current assets:			
Property, Plant and Equipment		76,581	77,689
Investment property		211	211
Deferred tax assets		73	39
Sub total		76,865	77,939
Current assets:			
Inventories		24,860	24,858
Trade and other receivables	11	37,727	40,535
Prepayments		980	723
Cash and cash equivalents	12	71,938	99,026
Sub total		135,505	165,142
TOTAL ASSETS		**212,370**	**243,081**
EQUITY AND LIABILITIES:			
Equity attributable to Owners of the Company :			
Share capital		80,000	80,000
Retained earnings		78,623	83,518
TOTAL EQUITY *Sub total*		**158,623**	**163,518**
Non-current liabilities :			
Deferred tax liabilities		6,325	6,344
Sub total		6,325	6,344
Current liabilities:			
Trade and other payables		42,508	53,097
Income tax payable		4,914	4,122
Dividends payable		-	16,000
Sub total		47,422	73,219
TOTAL LIABILITIES		**53,747**	**79,563**
TOTAL EQUITY AND LIABILITIES		**212,370**	**243,081**

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements)

HUP SENG INDUSTRIES BERHAD (226098-P)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Equity

The figures have not been audited

For the period ended 31 March 2018

	Attributable to owners of the parent		
	Non-distributable	Distributable	
	Share capital RM'000	Retained earnings RM'000	Total RM'000
Opening balance at 1 January 2018	80,000	83,518	163,518
Total comprehensive income for the period	-	11,105	11,105
Transaction with the owners			
Dividends on ordinary shares	-	(16,000)	(16,000)
Total transaction with the owners	-	(16,000)	(16,000)
Closing balance at 31 March 2018	**80,000**	**78,623**	**158,623**

For the corresponding period ended 31 March 2017

	Attributable to owners of the parent		
	Non-distributable	Distributable	
	Share capital RM'000	Retained earnings RM'000	Total RM'000
Opening balance at 1 January 2017	80,000	103,071	183,071
Total comprehensive income for the period	-	11,579	11,579
Transaction with the owners			
Dividends on ordinary shares	-	(32,000)	(32,000)
Total transaction with the owners	-	(32,000)	(32,000)
Closing balance at 31 March 2017	**80,000**	**82,650**	**162,650**

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements)

HUP SENG INDUSTRIES BERHAD (226098-P)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Statement of Cash Flows

For the period ended 31 March 2018

The figures have not been audited

	Note	**2018** **3 months ended 31/03/2018** **RM'000**	**2017** **3 months ended 31/03/2017** **RM'000**
Cash flows from operating activities:			
Profit before tax		**14,916**	**15,511**
Adjustments for:			
Allowance for doubtful debts		10	15
Depreciation of property, plant and equipment		1,395	1,439
Loss/(gain) on disposal of property, plant and equipment		3	(81)
Interest income		(750)	(918)
Inventories written off		10	34
Property, plant and equipment written off		97	10
Total adjustments		765	499
Operating profit before changes in working capital		15,681	16,010
Changes in working capital			
Increase in inventories		(12)	(2,152)
Decrease in trade and other receivables		2,798	3,550
Increase in prepayments		(257)	(251)
Decrease in trade and other payables		(10,589)	(4,991)
Total changes in working capital		(8,060)	(3,844)
Cash flows from operations		7,621	12,166
Taxes paid		(3,072)	(3,012)
Net cash flows from operating activities		**4,549**	**9,154**
Cash flows from investing activities			
Withdrawal /(placement) of deposits with more than 3 months with			
licensed bank		2,150	(3,000)
Interest received		750	918
Proceeds from disposal of property, plant and equipment		25	154
Purchase of property, plant and equipment		(412)	(529)
Net cash from/(used in) investing activities		**2,513**	**(2,457)**
Cash flows from financing activities			
Dividends paid on ordinary shares		(32,000)	-
Net cash used in financing activities		(32,000)	-
Net (decrease)/increase in cash and cash equivalents		**(24,938)**	**6,697**
Cash and cash equivalents at beginning of financial year		**90,829**	**98,067**
Cash and cash equivalents at end of financial period	12	**65,891**	**104,764**

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements)

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 31 March 2018

1. Corporate information

Hup Seng Industries Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

2. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 31 March 2018, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2017. The explanatory notes attached to these condensed consolidated 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 year ended 31 December 2017.

3. Significant accounting policies

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2017, except for the adoption of the following which are applicable to the financial statements and are relevant to the operations:

(I) Adoption of standards and interpretations

Description	Effective for annual periods beginning on or after
MFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018

The adoption of the above standards and interpretations do not have significant financial impact to the Group's consolidated financial statements for the current quarter, except as discussed below:

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including

MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group adopts MFRS 15 using the modified retrospective method. The directors have assessed the effects of applying the new standard on the Group's financial statements and have identified the following areas that are affected.

(i) Variable consideration – trade incentive

Prior to the adoption of MFRS 15, the Group recognised trade incentives as administrative, selling and marketing expenses. Under MFRS 15, trade incentive is considered a type of variable consideration because it affects the amount of consideration to which the Group will be entitled to receive from the customer. The Group decided to use the most likely amount method to estimate the amount of trade incentive. Upon adoption of MFRS 15, administrative expenses of RM43,145 and selling and marketing expenses of RM597,748 have been classified as a reduction in revenue for Q1 2018.

Impact on the statement of comprehensive income for the 3 months ended 31 March 2018:	
	RM
Decrease in revenue	640,893
Decrease in selling and marketing expenses	597,748
Decrease in administrative expenses	43,145
Net impact on profit for the period	-

(ii) Presentation and disclosure requirements

The Group disaggregated revenue recognised from contract with customers into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to below for the disclosure on disaggregated revenue.

Revenue from contracts with customer

Segments	Biscuit manufacturing division RM'000	Beverage manufacturing division RM'000	Trading division RM'000	Total RM'000
For 3 months ended 31.03.2018				
Sale/Total revenue from contracts with customers	56,367	2,520	55,943	114,830
Timing of revenue recognition				
Goods transferred at a point in time/Total revenue from contracts with customers	56,367	2,520	55,943	114,830
For 3 months ended 31.03.2017				
Sale/Total revenue from contracts with customers	53,994	1,960	52,829	108,783
Timing of revenue recognition				
Goods transferred at a point in time/Total revenue from contracts with customers	53,994	1,960	52,829	108,783

Sales reported above represents sales generated from the reportable segments. Inter-segment sales for the 3 months period ended 31.03.2018 and 31.03.2017 are RM37,685,000 and RM34,929,000 respectively.

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. Retrospective application is required, but comparative information is not compulsory.

(i) Classification and measurement

Based on the assessment performed by the directors of the Company on the basis of facts and circumstances that exist at 31 March 2018, the Group does not have a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9, as the Group only has loans and receivables which are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analyses the contractual cash flow characteristics of these instruments and conclude that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

The Group applies the simplified approach and record lifetime expected losses on all receivables. Due to the strong creditworthiness of the Group's debtors, the Group has determined that there will not be any loss allowance required.

(iii) Hedge accounting

The Group does not apply hedge accounting, hence no impact on the Group's financial statements upon application of the hedging requirements of MFRS 9.

(II) Standards and interpretations issued but not yet effective

At the date of authorisation of these interim financial statements, the followings standards and interpretations were issued but not yet effective and have not been applied by the Group:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
MFRS 16 Leases	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

4. Comments about seasonal or cyclical factors

The Group's business operations are normally affected by seasonal factors occurring in certain periods of the financial year, such as Hari Raya Puasa, Chinese New Year, etc.

5. Unusual Items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the cumulative financial period ended 31 March 2018.

6. Changes in estimates

There were no changes in estimates that have had a material effect in the current quarter results.

7. Capital management, debt and equity securities

The Group's objectives of managing capital are to safeguard the Group's ability to continue in operations as a going concern in order to provide fair returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the optimal capital structure, the Group may, from time to time, adjust the dividend payout to shareholders, return capital to shareholders and issue new shares, where necessary. For capital management purposes, the Group considers shareholders' equity and total liabilities to be the key components in the Group's capital structure. The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as the total liabilities to total equity. Total equity is the sum of total equity attributable to shareholders. The gearing ratio as at 31 March 2018 and 31 December 2017, which are within the Group's objectives for capital management, are as follows:

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Total liabilities	53,747	79,563
Total equity	158,623	163,518
Total capital	80,000	80,000
Gearing ratio	34%	49%

The decrease in the gearing ratio is mainly due to the decrease in dividends payables, trade and other payables.

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period to date.

8. Dividends

	Date of payment	Cumulative to date 31.03.2018 RM'000
Dividend paid on per ordinary share:		
- Third Interim dividend of 2 sen per share (single-tier) for 2017 declared on 26 February 2018	03.04.2018	16,000

9. Operating Segments

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

I. The biscuit manufacturing segment is in the business of manufacture and sales of biscuits.
II. The beverage manufacturing segment is in the business of manufacture and wholesale of coffee mix and all kinds of foodstuff.

III. The trading division segment is in the business of sales and distribution of biscuits, confectionery and other foodstuff.

Quarter ended 31.03.2018	Biscuit manufacturing division RM'000	Beverage manufacturing division RM'000	Trading division RM'000	Total RM'000
Revenue *	56,367	2,520	55,943	114,830
Profit for reportable segments	7,878	258	7,538	15,674

Reconciliation of profit or loss

Profit or loss for the financial period ended 31.03.2018	Quarter ended RM'000
Total profit for reportable segments	15,674
Profit from inter-segment sales	(144)
Other income	226
Unallocated expenses	(840)
Profit before tax	14,916

* Revenue reported above represents revenue generated from the reportable segments. Inter-segment sales for the current quarter is RM37,685,000.

Trading division mainly comprises domestic sales. Biscuit remain the dominant range which represents about 94% of the total sales, while beverages and other agents' products make up the balance. The comments on Note 19 apply to the above three reportable operating segments.

10. Profit before tax

Included in the profit before tax are the following items:

	Quarter ended 31.03.2018 RM'000	Quarter ended 31.03.2017 RM'000
Interest income	(750)	(918)
Rental income	(5)	(5)
Reversal of impairment losses on trade receivable (Note 11)	(13)	(1)
Allowance for doubtful debts (Note 11)	10	15
Depreciation of property, plant and equipment	1,395	1,439
Loss/(gain) on disposal of property, plant and equipment	3	(81)
Inventories written off	10	34
Property, plant and equipment written off	97	10
Realised exchange loss	258	114

11. Trade and other receivables

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Trade receivables		
Third parties	37,237	39,992
Less: Allowance for doubtful debts	(222)	(252)
Trade receivables, net	37,015	39,740
Other receivables	712	795
Total trade and other receivables	37,727	40,535

Trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Neither past due nor impaired	26,044	29,918
1 to 30 days past due not impaired	8,464	7,996
31 to 60 days past due not impaired	1,656	1,135
61 to 90 days past due not impaired	475	552
91 to 120 days past due not impaired	136	89
More than 121 days past due not impaired	240	50
	10,971	9,822
Impaired	222	252
	37,237	39,992

<u>Receivables that are impaired</u>

Movement in allowance accounts (individually impaired):

At 1 January	252	224
Charge for the period/year (Note 10)	10	57
Written off	(27)	(16)
Reversal of impairment losses (Note 10)	(13)	(13)
	222	252

12. Cash and bank balances

Cash and bank balances comprised the following amounts:

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Cash and bank balances	7,591	11,329
Short-term deposits with licensed banks	58,300	79,500
Cash and cash equivalents	65,891	90,829
Short-term deposits of more that 3 months with licensed banks	6,047	8,197
	71,938	99,026

13. Foreign exchange exposure

The Group's exposures to foreign currency are as follows:

	As at	
	31.03.2018	31.12.2017
	RM'000	RM'000
Trade and other receivables		
United States Dollars	2,129	2,449
Singapore Dollars	1,382	2,459

The Group does not engage in any formal hedging activities.

14. Events after the reporting period

There were no material events subsequent to the end of the current quarter.

15. Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter and financial period to date.

16. Changes in contingent liabilities and contingent assets

The Group has no contingent liabilities or contingent assets since the last annual date of the statement of financial position as at 31 December 2017.

17. Capital commitments

Approved capital commitments not recognised in the interim financial statements as at 31 March 2018 are as follows:

	RM'000
Contracted but not provided for:	
Purchase of plant and equipment	1,221

18. Related party transactions

	Current quarter ended 31.03.2018 RM
Rental of premises payable to:	
-Hup Seng Brothers Holdings Sdn. Bhd. #	30,000

Note: Certain directors of the Group are also directors and shareholders of Hup Seng Brothers Holdings Sdn. Bhd.

The Directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Part B: Explanatory notes pursuant to Main Market Listing Requirements of
Bursa Malaysia Securities Berhad
For the period ended 31 March 2018

19. Performance review

Financial review for current quarter

	3 months Quarter ended		Changes	
	31.03.2018 RM'000	31.03.2017 RM'000	Amount RM'000	%
Revenue	77,145	73,854	3,291	4
Operating profit	14,916	15,511	(595)	(4)
Profit before interest and tax	14,916	15,511	(595)	(4)
Profit before tax	14,916	15,511	(595)	(4)
Profit after tax	11,105	11,579	(474)	(4)
Profit attributable to: Owners of the Parent	11,105	11,579	(474)	(4)

The Group's revenue for the current quarter ended 31 March 2018 has increased by 4% to RM77,145,000 from RM73,854,000 in the quarter ended 31 March 2017. Domestic sales grew by 6% mainly from modern channel with biscuits being the major contributor. Export sales grew marginally by 1% impacted by strengthening Ringgit Malaysia during the period.

The Group registered a profit before tax of RM14,916,000 as compared to a profit before tax of RM15,511,000 in the preceding corresponding quarter, a decrease of nearly 4%. The accelerating operating cost and higher input costs are the contributing factors to the falling profit before tax.

20. Comment of material change in profit before taxation

Financial review for current quarter compared with immediate preceding quarter

	Current quarter	Immediate preceding quarter	Changes	
	31.03.2018 RM'000	31.12.2017 RM'000	Amount RM'000	%
Revenue	77,145	86,218	(9,073)	(11)
Operating profit	14,916	18,893	(3,977)	(21)
Profit before interest and tax	14,916	18,893	(3,977)	(21)
Profit before tax	14,916	18,893	(3,977)	(21)
Profit after tax	11,105	14,424	(3,319)	(23)
Profit attributable to: Owners of the Parent	11,105	14,424	(3,319)	(23)

The Group's revenue has decreased by 11% to RM77,145,000 in the current quarter ended 31 March 2018 as compared to RM86,218,000 in the preceding quarter mainly as a result of drop in both domestic and export markets due to seasonal factors. The major contributors to this reduction mainly from wholesale channels in domestic market and the Asia regions (both biscuits and beverages) of export markets.

Profit before tax has decreased by about 21% to RM14,916,000 as compared to RM18,893,000 in the preceding quarter in line with lower sales recorded.

21. Commentary of prospects

Barring any unforeseen circumstances, the Board is cautiously optimistic on the performance of the Group for the rest of the year with the operating environment is expected to remain highly competitive. The Group witnessed some margin compression arising from costs pressures and unfavorable impact of currency amid continued growth in revenue. Nevertheless, the Group will continue its efforts to enhance operating efficiency programmes to mitigate as much as possible the impact of higher input costs. The Group will continue to focus in improving the Group's performance by innovating products portfolio, broadening the distributor network to safeguard the Group's revenue and profitability.

22. Profit forecast or profit guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and non-controlling interest and forecast profit after tax and non-controlling interest and for the shortfall in profit guarantee are not applicable.

23. Income tax expense

	3 months Quarter ended	
	31.03.2018	31.03.2017
	RM'000	RM'000
Current income tax :		
-Malaysia income tax	3,864	4,102
-Deferred taxation	(53)	(170)
	3,811	3,932

Major components of tax expenses

	3 months cumulative to date 31.03.2018 RM'000
Current tax expense	3,864
Deferred tax expense	(53)
	3,811
Profit before taxation	14,916
Taxation at the Malaysian statutory tax rate of 24%	3,580
Adjustments:	
-Non-deductible expenses	243
-Expenses with double deduction	(12)
Income tax expense	3,811
Effective tax rate	25.5%

24. Sale of unquoted investments and properties

There were no sale of unquoted investments and properties for the current quarter and financial year to date.

25. Quoted securities

There were no purchase and sale of quoted securities for the current quarter and financial year to date.

26. Corporate proposals

There were no corporate proposals announced but not completed not earlier than seven (7) days from 15 May 2018.

27. Borrowings and debt securities

There were no group borrowings and debt securities as at the end of the reporting period.

28. Derivative financial instruments

As at the reporting date of 31 March 2018, the Group has no outstanding derivative financial instruments.

29. Gains / Losses arising from fair value changes of financial liabilities

There are no gains/losses arising from fair value changes of any financial liabilities.

30. Changes in material litigation

There were no material litigation not earlier than seven (7) days from 15 May 2018.

31. Dividend payable

The Board of Directors do not recommend the payment of any dividend for the financial quarter under review.

32. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the period.

	3 months Quarter ended	
	31.03.2018	31.03.2017
(a) Basic		
Profit for the period (RM'000)	11,105	11,579
Weighted average number of ordinary share for earnings per share ('000)	800,000	800,000
Basic earnings per share (sen)	1.39	1.45
(b) Diluted		
Diluted earnings per share (sen)	1.39	1.45

33. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2017 was not qualified.

34. Authorization for Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 15 May 2018.