HUP SENG INDUSTRIES BERHAD (226098-P)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 June 2018

The figures have not been audited

	Note	2018 CURRENT QUARTER ENDED 30 June RM'000	2017 CURRENT QUARTER ENDED 30 June RM'000	2018 6 MONTHS CUMULATIVE TO DATE RM'000	2017 6 MONTHS CUMULATIVE TO DATE RM'000
Revenue		69,736	69,250	146,881	143,104
Cost of sales		(44,629)	(43,665)	(93,453)	(88,799)
Gross profit		25,107	25,585	53,428	54,305
Other income		994	1,012	2,047	2,280
Administrative expenses		(5,100)	(5,146)	(10,444)	(10,227)
Selling and marketing expenses		(9,137)	(9,242)	(18,251)	(18,638)
Operating profit		11,864	12,209	26,780	27,720
Finance cost		-	-	-	-
Profit before tax	10	**11,864**	**12,209**	**26,780**	**27,720**
Income tax expense	23	(3,091)	(3,188)	(6,902)	(7,120)
Profit for the period		**8,773**	**9,021**	**19,878**	**20,600**
Total comprehensive income for the period, net of tax		**8,773**	**9,021**	**19,878**	**20,600**
Profit attributable to : Owners of the Parent		8,773	9,021	19,878	20,600
Total Comprehensive Income for the period, net of tax attributable to : Owners of the Parent		8,773	9,021	19,878	20,600
Earnings per share attributable to Owners of the Parent (sen) :					
-Basic	32(a)	1.10	1.13	2.48	2.58
-Diluted	32(b)	1.10	1.13	2.48	2.58

(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 30 June 2018

The figures have not been audited

	Note	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
ASSETS:			
Non-current assets:			
Property, Plant and Equipment		76,835	77,689
Investment property		210	211
Deferred tax assets		66	39
Sub total		77,111	77,939
Current assets:			
Inventories		25,713	24,858
Trade and other receivables	11	30,825	40,535
Prepayments		784	723
Cash and cash equivalents	12	83,526	99,026
Sub total		140,848	165,142
TOTAL ASSETS		**217,959**	**243,081**
EQUITY AND LIABILITIES:			
Equity attributable to Owners of the Company :			
Share capital		80,000	80,000
Retained earnings		87,396	83,518
TOTAL EQUITY *Sub total*		**167,396**	**163,518**
Non-current liabilities :			
Deferred tax liabilities		6,357	6,344
Sub total		6,357	6,344
Current liabilities:			
Trade and other payables		38,894	53,097
Income tax payable		5,312	4,122
Dividends payable		-	16,000
Sub total		44,206	73,219
TOTAL LIABILITIES		**50,563**	**79,563**
TOTAL EQUITY AND LIABILITIES		**217,959**	**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 30 June 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	-	19,878	19,878
Transaction with the owners			
Dividends on ordinary shares	-	(16,000)	(16,000)
Total transaction with the owners	-	(16,000)	(16,000)
Closing balance at 30 June 2018	**80,000**	**87,396**	**167,396**

For the corresponding period ended 30 June 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	-	20,600	20,600
Transaction with the owners			
Dividends on ordinary shares	-	(32,000)	(32,000)
Total transaction with the owners	-	(32,000)	(32,000)
Closing balance at 30 June 2017	**80,000**	**91,671**	**171,671**

(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 30 June 2018

The figures have not been audited

	Note	2018 6 months ended 30/06/2018 RM'000	2017 6 months ended 30/06/2017 RM'000
Cash flows from operating activities:			
Profit before tax		**26,780**	**27,720**
Adjustments for:			
Allowance for doubtful debts		32	32
Bad debts written off		9	7
Depreciation of property, plant and equipment		2,797	2,868
Gain on disposal of property, plant and equipment		(46)	(79)
Interest income		(1,482)	(1,718)
Inventories written off		28	48
Property, plant and equipment written off		184	19
Total adjustments		1,522	1,177
Operating profit before changes in working capital		28,302	28,897
Changes in working capital			
Increase in inventories		(883)	(5,696)
Decrease in trade and other receivables		9,669	8,255
Increase in prepayments		(61)	(31)
Decrease in trade and other payables		(14,203)	(7,125)
Total changes in working capital		(5,478)	(4,597)
Cash flows from operations		22,824	24,300
Taxes paid		(5,726)	(5,860)
Net cash flows from operating activities		**17,098**	**18,440**
Cash flows from investing activities			
Withdrawal /(placement) of deposits with more than 3 months with licensed bank		3,197	(3,070)
Interest received		1,482	1,718
Proceeds from disposal of property, plant and equipment		132	199
Purchase of property, plant and equipment		(2,212)	(2,596)
Net cash from/(used in) investing activities		**2,599**	**(3,749)**
Cash flows from financing activities			
Dividends paid on ordinary shares		(32,000)	(32,000)
Net cash used in financing activities		(32,000)	(32,000)
Net decrease in cash and cash equivalents		**(12,303)**	**(17,309)**
Cash and cash equivalents at beginning of financial year		**90,829**	**98,067**
Cash and cash equivalents at end of financial period	12	**78,526**	**80,758**

(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 30 June 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 30 June 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 RM102,261 and selling and marketing expenses of RM1,205,870 have been classified as a reduction in revenue for cumulative ended 30 June 2018.

Impact on the statement of comprehensive income for the 6 months ended 30 June 2018:	
	RM
Decrease in revenue	1,308,131
Decrease in selling and marketing expenses	1,205,870
Decrease in administrative expenses	102,261
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 6 months ended 30.06.2018				
Sale/Total revenue from contracts with customers	107,066	4,720	107,193	218,979
Timing of revenue recognition				
Goods transferred at a point in time/Total revenue from contracts with customers	107,066	4,720	107,193	218,979
For 6 months ended 30.06.2017				
Sale/Total revenue from contracts with customers	105,037	4,072	100,360	209,469
Timing of revenue recognition				
Goods transferred at a point in time/Total revenue from contracts with customers	105,037	4,072	100,360	209,469

Sales reported above represents sales generated from the reportable segments. Inter-segment sales for the 6 months period ended 30.06.2018 and 30.06.2017 are RM72,098,000 and RM66,365,000 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 30 June 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
Amendments to MFRS 2 Share-based Payment	1 January 2020
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14 Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138 Intangible Assets	1 January 2020
Amendments to IC Interpretation 12 Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020

Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132 Intangible Assets – Web Site Costs	1 January 2020
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 30 June 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 30 June 2018 and 31 December 2017, which are within the Group's objectives for capital management, are as follows:

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Total liabilities	50,563	79,563
Total equity	167,396	163,518
Total capital	80,000	80,000
Gearing ratio	30%	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 30.06.2018 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 30.06.2018	Biscuit manufacturing division RM'000	Beverage manufacturing division RM'000	Trading division RM'000	Total RM'000
Revenue *	50,699	2,200	51,250	104,149
Profit for reportable segments	6,363	132	6,004	12,499
6 months cumulative to date				
Revenue *	107,066	4,720	107,193	218,979
Profit for reportable segments	14,241	390	13,542	28,173

Reconciliation of profit or loss

Profit or loss for the financial period ended 30.06.2018	Quarter ended RM'000	Cumulative to date RM'000
Total profit for reportable segments	12,499	28,173
Profit from inter-segment sales	29	(115)
Other income	196	422
Unallocated expenses	(860)	(1,700)
Profit before tax	11,864	26,780

* Revenue reported above represents revenue generated from the reportable segments. Inter-segment sales for the current quarter and 6 months cumulative to date are RM34,413,000 and RM72,098,000 respectively.

Trading division mainly comprises domestic sales. Biscuit remain the dominant range which represents about 95% 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		Cumulative to date	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Interest income	(732)	(800)	(1,482)	(1,718)
Rental income	(5)	(5)	(10)	(10)
Reversal of impairment losses on trade receivable (Note 11)	-	(4)	(13)	(5)
Allowance for doubtful debts (Note 11)	22	17	32	32
Bad debts written off	9	7	9	7
Depreciation of property, plant and equipment	1,402	1,429	2,797	2,868
Gain on disposal of property, plant and equipment	(49)	2	(46)	(79)
Inventories written off	18	14	28	48
Property, plant and equipment written off	87	9	184	19
Realised exchange loss	111	154	369	268

11. Trade and other receivables

	As at	
	30.06.2018	31.12.2017
	RM'000	RM'000
Trade receivables		
Third parties	30,162	39,992
Less: Allowance for doubtful debts	(227)	(252)
Trade receivables, net	29,935	39,740
Other receivables	890	795
Total trade and other receivables	30,825	40,535

Trade receivables

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

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Neither past due nor impaired	20,103	29,918
1 to 30 days past due not impaired	8,019	7,996
31 to 60 days past due not impaired	1,239	1,135
61 to 90 days past due not impaired	377	552
91 to 120 days past due not impaired	117	89
More than 121 days past due not impaired	80	50
	9,832	9,822
Impaired	227	252
	30,162	39,992

Receivables that are impaired

Movement in allowance accounts (individually impaired):

	30.06.2018	31.12.2017
At 1 January	252	224
Charge for the period/year (Note 10)	32	57
Written off	(44)	(16)
Reversal of impairment losses (Note 10)	(13)	(13)
	227	252

12. Cash and bank balances

Cash and bank balances comprised the following amounts:

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Cash and bank balances	6,426	11,329
Short-term deposits with licensed banks	72,100	79,500
Cash and cash equivalents	78,526	90,829
Short-term deposits of more that 3 months with licensed banks	5,000	8,197
	83,526	99,026

13. Foreign exchange exposure

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

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Trade and other receivables		
United States Dollars	1,189	2,449
Singapore Dollars	1,439	2,459

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 30 June 2018 are as follows:

	RM'000
Contracted but not provided for:	
Purchase of plant and equipment	943

18. Related party transactions

	Current quarter ended 30.06.2017 RM	6 months cumulative to date 30.06.2017 RM
Rental of premises payable to:		
-Hup Seng Brothers Holdings Sdn. Bhd. #	30,000	60,000

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 30 June 2018

19. Performance review

Financial review for current quarter and financial year to date

	3 months Quarter ended		Changes		6 months cumulative to date		Changes	
	30.06.2018 RM'000	30.06.2017 RM'000	Amount RM'000	%	30.06.2018 RM'000	30.06.2017 RM'000	Amount RM'000	%
Revenue	69,736	69,250	486	1	146,881	143,104	3,777	3
Operating profit	11,864	12,209	(345)	(3)	26,780	27,720	(940)	(3)
Profit before interest and tax	11,864	12,209	(345)	(3)	26,780	27,720	(940)	(3)
Profit before tax	11,864	12,209	(345)	(3)	26,780	27,720	(940)	(3)
Profit after tax	8,773	9,021	(248)	(3)	19,878	20,600	(722)	(4)
Profit attributable to: Owners of the Parent	8,773	9,021	(248)	(3)	19,878	20,600	(722)	(4)

The Group's revenue for the current quarter ended 30 June 2018 has increased by 1% to RM69,736,000 from RM69,250,000 in the quarter ended 30 June 2017. Domestic sales has grown 8% or RM4 million compared to previous corresponding period, mainly from wholesale and modern channels. Despite this, export market saw a decline of about 16% mainly from Indonesia, Mauritius and Myanmar as a result of export trade complexity and sales slowdown in these countries.

The Group registered a profit before tax of RM11,864,000 as compared to a profit before tax of RM12,209,000 in the preceding corresponding quarter, a decrease of nearly 3% as a result of accelerating operating costs.

The Group's revenue for the six months ended 30 June 2018 has increased by 3% to RM146,881,000 from RM143,104,000 as compared with the preceding year corresponding period. Domestic sales registered an increase of 7% or RM7 million mainly from wholesale and modern channels; but this growth was capped by a decline in export market of about 8% mainly from Indonesia, Mauritius and Japan markets. The export sales were also impacted by strengthening of Ringgit Malaysia during the period.

The profit before tax, on the other hand, has decreased to RM26,780,000 when compared with the preceding year corresponding period of RM27,720,000. Other than higher operating costs, lower revenue from export markets and strengthening of Ringgit Malaysia mainly depressed the profit performance.

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	
	30.06.2018 RM'000	31.03.2018 RM'000	Amount RM'000	%
Revenue	69,736	77,145	(7,409)	(10)
Operating profit	11,864	14,916	(3,052)	(20)
Profit before interest and tax	11,864	14,916	(3,052)	(20)
Profit before tax	11,864	14,916	(3,052)	(20)
Profit after tax	8,773	11,105	(2,332)	(21)
Profit attributable to: Owners of the Parent	8,773	11,105	(2,332)	(21)

The Group's revenue has decreased by 10% to RM69,736,000 in the current quarter ended 30 June 2018 as compared to RM77,145,000 in the preceding quarter mainly arise from drop in both domestic and export markets due to seasonal factors.

Profit before tax has decreased by about 20% to RM11,864,000 as compared to RM14,916,000 in the preceding quarter mainly due to 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 expected to remain highly competitive. The Group witnessed some margin compression arising from increased operating costs 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 increased operating 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		6 months cumulative to date	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Current income tax :				
-Malaysia income tax	3,053	3,166	6,917	7,268
-Deferred taxation	38	22	(15)	(148)
	3,091	3,188	6,902	7,120

Major components of tax expenses

	Current Quarter ended 30.06.2018 RM'000	6 months cumulative to date 30.06.2018 RM'000
Current tax expense	3,053	6,917
Deferred tax expense	38	(15)
	3,091	6,902
Profit before taxation	11,864	26,780
Taxation at the Malaysian statutory tax rate of 24%	2,847	6,427
Adjustments:		
-Non-deductible expenses	259	502
-Expenses with double deduction	(15)	(27)
Income tax expense	3,091	6,902
Effective tax rate	26.1%	25.8%

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 August 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 30 June 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 August 2018.

31. Dividend payable

Other than as disclosed in Note 8 above, the Board of Directors recommends the payment of an interim single-tier dividend of 2 sen per ordinary share in respect of the year ending 31 December 2018 for the financial quarter under review. The entitlement date will be announced in due course.

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		6 months cumulative to date	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
(a) Basic				
Profit for the period (RM'000)	8,773	9,021	19,878	20,600
Weighted average number of ordinary share for earnings per share ('000)	800,000	800,000	800,000	800,000
Basic earnings per share (sen)	1.10	1.13	2.48	2.58
(b) Diluted				
Diluted earnings per share (sen)	1.10	1.13	2.48	2.58

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 August 2018.