



NPC RESOURCES BERHAD (Company No: 502313-P)
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2019
The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30/06/2019 RM'000	Preceding Year Corresponding Quarter Ended 30/06/2018 RM'000	Current Year- To-Date Ended 30/06/2019 RM'000	Preceding Year Corresponding Period Ended 30/06/2018 RM'000
Revenue	49,067	54,214	100,917	111,907
Operating expenses	(56,218)	(68,017)	(113,154)	(128,596)
Other operating income	2,555	(2,819)	7,351	1,386
Loss from operations	(4,596)	(16,622)	(4,886)	(15,303)
Finance costs	(5,724)	(4,858)	(10,855)	(8,513)
Loss before tax – (Note 19)	(10,320)	(21,480)	(15,741)	(23,816)
Income tax expense – (Note 20)	(235)	(147)	(8)	(1,945)
Loss for the period	(10,555)	(21,627)	(15,749)	(25,761)
Other comprehensive income/(loss), net of tax:				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operation	5,439	1,337	4,488	(16,217)
Total comprehensive loss for the period	(5,116)	(20,290)	(11,261)	(41,978)
Loss for the period attributable to:				
Equity holders of the parent	(8,333)	(16,973)	(11,190)	(17,974)
Non-controlling interests	(2,222)	(4,654)	(4,559)	(7,787)
	(10,555)	(21,627)	(15,749)	(25,761)
Total comprehensive loss for the period attributable to:				
Equity holders of the parent	(2,137)	(15,676)	(6,071)	(35,618)
Non-controlling interests	(2,979)	(4,614)	(5,190)	(6,360)
	(5,116)	(20,290)	(11,261)	(41,978)
Loss per share attributable to equity holders of the parent:-				
(a) Basic, for loss for the period (sen) - (Note 26)	(7.13)	(14.52)	(9.58)	(15.38)
(b) Diluted, for loss for the period (sen) - (Note 26)	N/A	N/A	N/A	N/A

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at current period ended 30/06/2019 RM'000	Audited 31/12/2018 RM'000
Non-current assets		
Property, plant and equipment	779,911	773,713
Investment property	1,037	1,044
Land use rights	63,597	63,461
Other receivables	37,313	37,692
Deferred tax assets	1,242	1,317
Goodwill on consolidation	32,488	32,456
	<u>915,588</u>	<u>909,683</u>
Current assets		
Inventories	18,917	21,110
Biological assets	2,569	2,228
Trade and other receivables	23,145	24,824
Tax refundable	979	793
Cash and bank balances	19,053	12,443
	<u>64,663</u>	<u>61,398</u>
Current liabilities		
Trade and other payables	83,749	81,730
Borrowings – (Note 22)	460,173	445,134
Provision for taxation	552	687
	<u>544,474</u>	<u>527,551</u>
Net current liabilities	<u>(479,811)</u>	<u>(466,153)</u>
	<u>435,777</u>	<u>443,530</u>
Share capital	120,000	120,000
Treasury shares	(7,509)	(7,486)
Retained earnings	156,608	167,798
Foreign currency translation reserve	(12,598)	(17,717)
Equity attributable to equity holders of the parent	<u>256,501</u>	<u>262,595</u>
Non-controlling interests	<u>(5,858)</u>	<u>(668)</u>
Total equity	<u>250,643</u>	<u>261,927</u>
Non-current liabilities		
Borrowings – (Note 22)	5,916	774
Other payables	111,734	111,886
Employee benefits	3,460	3,754
Deferred tax liabilities	64,024	65,189
	<u>185,134</u>	<u>181,603</u>
	<u>435,777</u>	<u>443,530</u>
Net assets per share attributable to equity holders of the parent (RM) – (Note 27)	<u>2.19</u>	<u>2.24</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW

	Current Year- To-Date Ended 30/06/2019 RM'000	Preceding Year Corresponding Period Ended 30/06/2018 RM'000
Loss before tax	(15,741)	(23,816)
Adjustments for:-		
Amortisation of land use rights	855	754
Depreciation of property, plant and equipment	19,979	17,943
Depreciation of investment property	7	7
Fair value changes of biological assets	(341)	1,420
Finance costs	10,855	8,513
Impairment loss on receivables	333	-
Interest income	(1,173)	(153)
Gain on disposals of property, plant and equipment	(235)	(53)
Net unrealised foreign exchange gain	(4,159)	10,934
Property, plant and equipment written off	9	72
Operating cash flows before changes in working capital	<u>10,389</u>	<u>15,621</u>
Changes in working capital		
Net change in inventories	2,365	(64)
Net change in receivables	3,504	19,087
Net change in payables	847	(2,940)
Interest received	1,173	153
Net taxes paid	(1,468)	(2,641)
Finance costs paid	<u>(11,061)</u>	<u>(8,483)</u>
Net cash flows generated from operating activities	<u>5,749</u>	<u>20,733</u>
Investing Activities		
Additional placement of fixed deposits	(7,227)	(473)
Payment for land use right	-	(5,101)
Purchase of property, plant and equipment	(19,634)	(22,911)
Net proceeds from disposal of property, plant and equipment	516	141
Net cash flows used in investing activities	<u>(26,345)</u>	<u>(28,344)</u>
Financing Activities		
Purchase of treasury share	(23)	(32)
Repayment of borrowings	(9,548)	(19,248)
Proceeds from drawdown of bank borrowings	30,688	18,955
(Payment)/drawdown of hire purchase liabilities	(284)	350
Net cash flows generated from financing activities	<u>20,833</u>	<u>25</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW (CONTD.)

	Current Year-To- Date Ended 30/06/2019 RM'000	Preceding Year Corresponding Period Ended 30/06/2018 RM'000
Net change in cash and cash equivalents	237	(7,586)
Effect of exchange rate changes on cash and cash equivalents	(617)	282
Cash and cash equivalents at beginning of financial period	3,581	9,721
Cash and cash equivalents at end of financial period (Note A)	<u>3,201</u>	<u>2,417</u>

Note:

A : Cash and cash equivalents at the end of the financial period comprise the following:

Fixed deposits with licensed bank	11,225	3,218
Cash and bank balances	7,828	6,763
Bank overdraft	(4,627)	(4,346)
	<u>14,426</u>	<u>5,635</u>
Short term fixed deposits with licensed banks with maturity more than 3 months	(11,225)	(3,218)
	<u>3,201</u>	<u>2,417</u>

The condensed consolidated statement of cashflow should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Foreign Currency Translation Reserve RM'000	Total RM'000	Non- controlling Interests RM'000	
Preceding year corresponding period ended 30 June 2018							
Balance as at 1 January 2018	120,000	(7,453)	301,551	(7,498)	406,600	28,248	434,848
- Effects of changes in accounting policies	-	-	(72,909)	699	(72,210)	(10,135)	(82,345)
- Effects of finalisation of purchase price allocation	-	-	(11,622)	-	(11,622)	(3,954)	(15,576)
	120,000	(7,453)	217,020	(6,799)	322,768	14,159	336,927
Total comprehensive loss for the period	-	-	(17,974)	(17,644)	(35,618)	(6,360)	(41,978)
Transactions with owners							
Dividends	-	-	(1,169)	-	(1,169)	-	(1,169)
Purchase of treasury share	-	(32)	-	-	(32)	-	(32)
Balance as at 30 June 2018	120,000	(7,485)	197,877	(24,443)	285,949	7,799	293,748

	Attributable to equity holders of the parent						Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Foreign Currency Translation Reserve RM'000	Total RM'000	Non- controlling Interests RM'000	
Current year to date ended 30 June 2019							
Balance as at 1 January 2019	120,000	(7,486)	167,798	(17,717)	262,595	(668)	261,927
Total comprehensive (loss)/income for the period	-	-	(11,190)	5,119	(6,071)	(5,190)	(11,261)
Transactions with owners							
Purchase of treasury share	-	(23)	-	-	(23)	-	(23)
Balance as at 30 June 2019	120,000	(7,509)	156,608	(12,598)	256,501	(5,858)	250,643

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

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1. Basis of preparation

The unaudited interim financial statements have 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 unaudited interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018. The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2018 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2019. The adoption of the MFRSs and Amendments do not have significant impact on the financial statements of the Group.

At the date of authorisation of these interim financial statements, the following MFRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by the Group:

Description	Effective for annual periods beginning on or after
• MFRS 3 Business Combinations (Amendments to MFRS 3)	1 January 2020
• MFRS 101 Definition of Material (Amendments to MFRS 101)	1 January 2020
• MFRS 108 Definition of Material (Amendments to MFRS 108)	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

3. Qualified auditors’ report on preceding annual financial statements

The auditors’ report on the financial statements for the year ended 31 December 2018 was unqualified.

4. Seasonality or cyclicity of operations

The Group’s operations are mainly affected by seasonal and cyclical factors such as the seasonal pattern in the production of fresh fruit bunches (FFB) and the seasonal weather conditions in Sabah. Consistent with the industry FFB production trend in Sabah, the first half of the year is usually the low FFB production period whereas, the second half of the year is expected to be the high FFB production period.

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5. Unusual items

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

6. Changes in estimates

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

7. Debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year-to-date other than the Company had repurchased 12,000 of its issued ordinary shares from the open market at an average price of RM1.87. The total consideration paid for purchases including transaction costs was RM22,542. The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares and treated in accordance with the requirement of Section 127 of the Companies Act 2016. None of the treasury shares has been resold or distributed as share dividends during the financial period ended 30 June 2019.

8. Dividends paid

No dividend was paid during the current period.

9. Segmental reporting

	Plantation and milling RM'000	Hotel RM'000	Fishery RM'000	Elimination RM'000	Total RM'000
For three months ended 30 June 2019					
Segment Revenue					
External revenue	47,413	1,654	-	-	49,067
Inter-segment revenue	-	3	-	(3)	-
Total	47,413	1,657	-	(3)	49,067
Segment Results					
Unallocated corporate expense	(3,857)	(277)	7	-	(4,127)
Loss from operation					(4,596)
Finance costs					(5,724)
Loss before tax					(10,320)
Income tax expense					(235)
Loss for the period					(10,555)

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9. Segmental reporting

	Plantation and milling RM'000	Hotel RM'000	Fishery RM'000	Elimination RM'000	Total RM'000
For six months ended 30 June 2019					
Segment Revenue					
External revenue	97,216	3,701	-	-	100,917
Inter-segment revenue	-	8	-	(8)	-
Total	97,216	3,709	-	(8)	100,917
Segment Results					
Unallocated corporate income	(5,859)	(32)	15	-	(5,876)
					990
Loss from operation					(4,886)
Finance costs					(10,855)
Loss before tax					(15,741)
Income tax expense					(8)
Loss for the period					(15,749)
For three months ended 30 June 2018					
Segment Revenue					
External revenue	52,168	2,046	-	-	54,214
Inter-segment revenue	-	5	-	(5)	-
Total	52,168	2,051	-	(5)	54,214
Segment Results					
Unallocated corporate expense	(681)	541	(4)	-	(144)
Loss from operation					(16,622)
Finance costs					(4,858)
Loss before tax					(21,480)
Income tax expense					(147)
Loss for the period					(21,627)
For six months ended 30 June 2018					
Segment Revenue					
External revenue	107,737	4,170	-	-	111,907
Inter-segment revenue	-	7	-	(7)	-
Total	107,737	4,177	-	(7)	111,907
Segment Results					
Unallocated corporate expense	(1,652)	718	(9)	-	(943)
Loss from operation					(14,360)
Finance costs					(15,303)
Loss before tax					(8,513)
Income tax expense					(23,816)
Income tax expense					(1,945)
Loss for the period					(25,761)

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10. Valuations of property, plant and equipment

There are no valuations of property, plant and equipment for the current financial year-to-date.

11. Material subsequent events not reflected in the financial statements

There were no material subsequent events as at the date of this report.

12. Changes in the composition of the Group

There was no change in the composition of the Group for the current quarter and financial year-to-date.

13. Contingent liabilities or contingent assets

The Company provided corporate guarantees amounting to RM213,270,750 to certain financial institutions to secure banking facilities granted by them to its subsidiaries. As at 30 June 2019, the total amount owing to these financial institutions amounted to RM182,672,165.

There are no other contingent liabilities or contingent assets to be disclosed during the current quarter under review.

14. Capital commitments

The amount of capital commitments not provided for in the unaudited interim financial report as at 30 June 2019 is as follows:

	RM'000
Approved and contracted	2,468
Approved but not contracted for	7,916
	<u>10,384</u>

15. Review of performance

The Group recorded a loss before tax of RM10.320 million for the current quarter and RM15.741 million for the current year-to-date on the back of turnover of RM49.067 million for the current quarter and RM100.917 million for the current year-to-date respectively. These represent

- (a) a decrease of 52% in loss before tax and 9% in revenue as compared to the loss before tax and revenue in the preceding year corresponding quarter ended 30 June 2018 respectively;
- (b) a decrease of 34% in loss before tax and 10% in revenue as compared to the loss before tax and revenue in the preceding year corresponding period ended 30 June 2018 respectively.

The decrease in loss before tax for the current quarter and financial year-to-date as compared to preceding corresponding quarter and period was mainly due to net unrealised foreign exchange gain in USD against MYR/IDR of RM1.183 million and RM4.159 million respectively.

The decrease in revenue for the current quarter and financial year-to-date as compared to preceding year corresponding quarter and period was mainly due to lower realised CPO and PK prices from the plantation segment.

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15. Review of performance (continued)

The detailed analysis of the respective operating segments of the Group with reference to the segmental information as disclosed in note 9 are discussed below:-

Plantation segment

The external revenue of the plantation segment decreased by 9% for the current quarter and 10% for the financial year-to-date as compared to previous year corresponding quarter and period was mainly due to lower realised CPO and PK prices as per below statistic:

Quarter ended	30 June 2019	30 June 2018	%
Average CPO price	RM1,884 /metric ton	RM2,379 /metric ton	- 20.8
Average PK price	RM926 /metric ton	RM1,667 /metric ton	- 44.4
Period ended	30 June 2019	30 June 2018	%
Average CPO price	RM1,860 /metric ton	RM2,367 /metric ton	- 22.4
Average PK price	RM1,029 /metric ton	RM1,901 /metric ton	- 45.8

The plantation segment registered an increase in segment loss of 466% for the current quarter and 255% for the financial year-to-date as compared to previous year corresponding quarter and period mainly due to lower realised CPO & PK prices.

Hotel segment

The external revenue of the hotel segment decreased by 19% for current quarter and 11% for the financial year-to-date compared to previous year corresponding quarter and period. Moreover, the hotel segment registered an increase in segment loss of 151% for the current quarter and 104% for the financial year-to-date as compared to previous year corresponding quarter and period. The decline in segment result was mainly due to lower occupancy rate for the current quarter.

16. Variance of the results against the immediate preceding quarter

The Group recorded a loss before tax of RM10.320 million for the current quarter compared to the loss before tax of RM5.421 million for the immediate preceding quarter ended 31 March 2019. Management attributes the increase in loss before tax mainly due to lower realised PK prices and lower net unrealised foreign exchange gain in the current quarter.

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17. Prospects

Plantation segment

Given the recent level of CPO and PK prices, the Group's plantation segment is expected to register a weaker result for the current financial year. There is significant revenue contribution from the Group's plantation operation in Indonesia for the current financial year as more plantation areas are reaching maturity stage.

Hotel segment

The prospect of the hotel segment is expected to be challenging due to the upcoming new hotels in the local market.

18. Profit forecast

Not applicable.

19. Loss for the period

Loss for the period is arrived at after charging/(crediting):

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30/06/2019 RM'000	Preceding Year Corresponding Quarter Ended 30/06/2018 RM'000	Current Year- To-Date Ended 30/06/2019 RM'000	Preceding Year Corresponding Period Ended 30/06/2018 RM'000
Amortisation of land use rights	428	398	855	754
Depreciation of property, plant and equipment	10,035	8,965	19,979	17,943
Depreciation of investment property	4	4	7	7
Impairment loss on receivables	336	-	333	-
Interest income	(609)	(100)	(1,173)	(153)
Other income	(528)	(439)	(1,784)	(980)
Net gain on disposal of property, plant and equipment	(235)	(18)	(235)	(53)
Net unrealised foreign exchange gain	(1,183)	11,838	(4,159)	10,934
Property, plant and equipment written off	9	72	9	72

Save as disclosed above, the other items as required under Appendix 9B, Part A(16) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

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20. Income tax expense

Income tax expense comprises :-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30/06/2019 RM'000	Preceding Year Corresponding Quarter Ended 30/06/2018 RM'000	Current Year- To-Date Ended 30/06/2019 RM'000	Preceding Year Corresponding Period Ended 30/06/2018 RM'000
Tax expense for the period:				
- Malaysian Income Tax	407	1,126	1,113	2,608
- relating to origination and reversal of temporary differences	(183)	(986)	(1,281)	(989)
	224	140	(168)	1,619
Under/ (over) provided in prior years:				
- Malaysian Income Tax	10	7	34	339
- Deferred taxation	1	-	142	(13)
	235	147	8	1,945

21. Status of corporate proposals

The corporate proposal announced but not completed as at 26 August 2019 as follows:

On 2 May 2019, NPC Resources Berhad (“NPC”) had accepted the offer on the acquisition by Veetar Plantations Sdn. Bhd. (“Veetar”) of the Division 1 to Division 5 of the estate land located in the Sandakan region together with the palm oil processing mill located at Kilometre 70, Sandakan-Telupid-Kota Kinabalu Highway, district of Labuk Sugut held by seven (7) subsidiary companies (“Target Companies”) of NPC via a series of acquisition of all shares in the Target Companies with an aggregate indicative consideration of RM446.24 million. The acquisition is subject to the results of the Due Diligence which are currently undertaken by Veetar pursuant to the terms of the offer letter.

On 8 August 2019, NPC had granted an extension of Due Diligence period of fourteen (14) days commencing from 9 August 2019.

On 22 August 2019, NPC received a notification letter from Vetaar Plantations Sdn. Bhd. that by at large, the results of the Due Diligence Exercise are acceptable save and except for findings identified during the Due Diligence Exercise requiring further discussion between the parties and remedies from the Company or Target Companies to the satisfaction before proceeding into negotiation of the terms and conditions of the Sales and Purchase Agreement.

There were no other corporate proposals which were announced but not completed as at 26 August 2019.

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22. Group's borrowings and debt securities

Particulars of the Group's borrowings as at 30 June 2019 are as follows :-

	Secured RM'000
Short term borrowings	
Revolving credits	262,515
Bankers' acceptance	8,397
Bank overdraft	4,627
Term loans	184,242
	<hr/>
Hire purchase and lease payables	459,781
	392
Sub-total	<hr/> 460,173 <hr/>
	Secured RM'000
Long term borrowings	
Term loan	5,317
Hire purchase and lease payables	599
	<hr/>
Sub-total	<hr/> 5,916 <hr/>
	<hr/>
Total Borrowings	<hr/> 466,089 <hr/>

All borrowings are denominated in Ringgit Malaysia, except for the following borrowing:

	Foreign Currencies USD'000	RM Equivalent RM'000
USD – Revolving credit @ 4.1335	48,500	200,474

There are no debt securities issued as at 30 June 2019.

23. Financial Instruments

(a) Derivatives

As at 30 June 2019, there were no outstanding derivatives (including financial instruments designated as hedging derivatives).

(b) Gains or Losses Arising From Fair Value Changes of Financial Liabilities

As the Group did not have any financial liabilities measured at fair value through profit or loss, there were no gains or losses arising from fair value changes of financial liabilities for the current quarter and financial year-to-date.

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24. Changes in material litigation

There was no pending material litigation as at 20 August 2019, being a date not earlier than 7 days from the date of the quarterly report.

25. Proposed dividend

No dividend was proposed for the current period.

26. Loss per share

(a) Basic

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares in issue during the period excluding treasury shares held by the Company.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30/06/2019 RM'000	Preceding Year Corresponding Quarter Ended 30/06/2018 RM'000	Current Year- To-Date Ended 30/06/2019 RM'000	Preceding Year Corresponding Period Ended 30/06/2018 RM'000
(a) Loss attributable to equity holders of the parent	<u>(8,333)</u>	<u>(16,973)</u>	<u>(11,190)</u>	<u>(17,974)</u>
(b) Weighted average number of shares	<u>116,862</u>	<u>116,883</u>	<u>116,866</u>	<u>116,879</u>
(c) Basic loss per share (sen)	<u>(7.13)</u>	<u>(14.52)</u>	<u>(9.58)</u>	<u>(15.38)</u>

(b) Diluted

The Group has no potential ordinary shares in issue as at end of current quarter and therefore, diluted earnings per share has not been presented.

27. Net assets per share attributable to equity holders of the parent

The net assets per share attributable to equity holders of the parent is calculated by dividing the total equity attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period excluding treasury shares as at end of current quarter.

28. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 August 2019.

By Order of the Board
Dorothy Luk Wei Kam
Company Secretary
Kota Kinabalu, Sabah
27 August 2019