

Ta Win Holdings Berhad

(291592-U)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000
Revenue	82,067	89,485	174,506	173,831
Cost of sales	(81,656)	(90,267)	(172,755)	(171,943)
Gross Profit	<u>411</u>	<u>(782)</u>	<u>1,751</u>	<u>1,888</u>
Other Income	925	24	1,033	108
Selling and distribution expenses	(321)	(307)	(727)	(621)
Administrative expenses	(1,931)	775	(2,703)	521
Profit from operation	<u>(916)</u>	<u>(290)</u>	<u>(646)</u>	<u>1,896</u>
Finance costs	(628)	(408)	(1,163)	(1,008)
(Loss)/profit before tax	<u>(1,544)</u>	<u>(698)</u>	<u>(1,809)</u>	<u>888</u>
Income tax expense	-	-	-	-
Net (loss)/profit for the year	<u>(1,544)</u>	<u>(698)</u>	<u>(1,809)</u>	<u>888</u>
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	20	14	47	21
Other comprehensive profit/(loss) for the year	<u>20</u>	<u>14</u>	<u>47</u>	<u>21</u>
Total comprehensive (loss)/profit for the year	<u>(1,524)</u>	<u>(684)</u>	<u>(1,762)</u>	<u>909</u>
Total loss attributable to:				
Equity holders of the parents	<u>(1,544)</u>	<u>(698)</u>	<u>(1,809)</u>	<u>888</u>
Total comprehensive loss attributable to:				
Equity holders of the parents	<u>(1,524)</u>	<u>(684)</u>	<u>(1,762)</u>	<u>909</u>
(Loss)/earning per share (sen)				
- Basic	(2.20)	(1.06)	(2.58)	1.34
- Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	(Unaudited)	(Audited)
	As at end of Current Quarter 30-Jun-18 RM'000	As at Preceding Financial Year End 31-Dec-17 RM'000
Assets		
Non-current assets		
Property, plant and equipment	20,724	20,699
Investment property	1,600	1,600
	22,324	22,299
Current assets		
Inventories	31,282	31,065
Trade receivables	40,511	44,575
Other receivables, prepayment and deposits	10,595	13,481
Cash and bank balances	13,451	10,970
	95,838	100,091
Total assets	118,162	122,390
Equity and liabilities		
Current liabilities		
Loans and borrowings	44,115	47,185
Trade payables	131	405
Other payables	1,966	5,097
Deferred tax liabilities	2,421	2,421
	48,633	55,108
Net current assets	47,206	44,983
Net assets	69,529	67,282
Equity attributable to equity holders of the Company		
Share capital	70,086	66,084
Foreign exchange reserves	(352)	(399)
Revaluation reserves	4,320	4,320
Accumulated losses	(4,525)	(2,723)
Total equity	69,529	67,282
Total equity and liabilities	118,162	122,390
Net asset per share (sen)	0.99	1.02

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	← Attributable to Equity Holders of the Parents →					Total
	← Non-Distributable →					
	Share capital	Share premium	Revaluation reserve	Exchange reserve	Accumulated losses	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening balance at 1 January 2018	66,084	-	4,320	(399)	(2,716)	67,289
ESOS	4,002					4,002
Total comprehensive loss	-	-	-	47	(1,809)	(1,762)
Closing balance at 30 June 2018	<u>70,086</u>	<u>-</u>	<u>4,320</u>	<u>(352)</u>	<u>(4,525)</u>	<u>69,529</u>
Opening balance at 1 January 2017	64,286	1,798	4,320	(448)	(5,468)	64,488
Adjustment for effects of Companies Act 2016 *	1,798	(1,798)	-	-	-	-
Total comprehensive income	-	-	-	7	1,586	1,593
Closing balance at 30 June 2017	<u>66,084</u>	<u>-</u>	<u>4,320</u>	<u>(441)</u>	<u>(3,882)</u>	<u>66,081</u>

* With the Companies Act 2016 ("the New Act") coming into effect on 31 January 2017, the credit standing in the share premium and capital redemption reserve accounts has been transferred to the share capital account. Pursuant to subsection 618(3) and 618(4) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium and capital redemption reserve accounts within 24 months after the commencement of the New Act.

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	6 months ended 30-Jun-18 RM'000	6 months ended 30-Jun-17 RM'000
Operating activities		
(Loss)/profit before tax of continuing operations	(1,809)	888
Adjustments for :		
Depreciation of property, plant and equipment	396	439
Gain on disposal of property, plant and equipment	-	-
Interest expense	1,163	1,008
Interest income	(20)	(1)
Unrealised foreign exchange loss/(gain)	(59)	(1,047)
Operating cash flows before changes in working capital	(329)	1,287
<u>Changes in working capital</u>		
Decrease/(increase) in receivables	6,950	(3,147)
Decrease/(increase) in other current assets	(217)	4,886
(Decrease)/increase in payables	(6,475)	(121)
Cash flows from operating activities	(71)	2,905
Investing activities		
Purchase of property, plant and equipment	(453)	-
Placement of deposit pledged with bank	2,495	-
Net cash flows from investing activities	2,042	-
Financing activities		
Net repayment of loans and borrowings	(2,990)	(1,945)
Repayment of hire purchase financing	(34)	(68)
Net cash flows used in financing activities	(3,024)	(2,013)
Net increase in cash and cash equivalents	(1,053)	892
At beginning of financial period	10,970	14,894
Effects of exchange rate changes	4	(21)
At end of financial year	9,921	15,765
Cash and bank balances	9,921	15,765
Deposit pledged with banks.	3,529	1,327
Net cash and bank balances	13,451	17,092

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

1. Basis of Preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 : Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017. These explanatory notes attached to the 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 2017.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017 except for the adoption of the following Malaysian Financial Reporting Standards ("MFRSs"), Amendments to MFRSs, Issues Committee Interpretations ("IC Interpretations") and Statement of Principles.

Amendments to MFRS 1	Annual Improvements to MFRS Standards 2014 - 2016 Cycle
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 9	Financial Instruments
Amendments to MFRS 12	Annual Improvements to MFRS Standards 2014 - 2016 Cycle
Amendments to MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 140	Investment Property – Transfers of Investment Property

The adoption of the above pronouncements did not have any impact on the financial statements of the Group

MFRSs, Amendments to MFRSs and IC Interpretations issued but not yet effective

The following MFRSs, Amendments to MFRSs have been issued but are not yet effective, and have yet to be adopted by the Group:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 2, Share-based Payment	1 January 2020
Amendments to MFRS 3, Business Combinations	1 January 2020
Amendments to MFRS 3, Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 6, Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 9, Prepayment Features with Negative Compensation	1 January 2020
Amendments to MFRS 11, Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 14, Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 16, Leases	1 January 2019
Amendments to MFRS 17, Insurance Contracts	1 January 2021
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 112, Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 119, Plan Amendment, Curtailment, or Settlement	1 January 2019
Amendments to MFRS 123, 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
Amendments to MFRS 134, Interim Financial Reporting	1 January 2020
Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendment to MFRS 138 Intangible Assets	1 January 2020

3. Audit Qualification of Preceding Annual Financial Statements

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

4. Comments About Seasonal or Cyclical Factors

The sales of enamelled copper wire and copper rods/wire are not subject to cyclical or seasonal factors.

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NOTES TO INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

5. Unusual Items Due to their Nature, Size or Incidence

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

6. Changes in Estimates

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

7. Debt and Equity Securities

ESOS shares were issued on 31 March 2018 and on 23 May 2018 for a total of 8,090,000 shares. There were no other issuances, repayments of debt or equity securities, or share cancellation in the current interim year under review. The company has not implemented any share buy back scheme and it does not hold any shares as treasury shares during the current financial year.

8. Dividend Paid

No dividend was paid in the current financial year under review.

9. Carrying Amount of Revalued Assets

The valuation of property, plant and equipment had been brought forward without amendment from the financial statements for the year ended 31 December 2017.

The Group's land and buildings were revalued during the financial year ended 31 December, 2015. The last valuation was done on 30 September 2015 for Malaysia. Revaluation was based on valuation prepared by an independent valuer according to the open market basis. Valuation is conducted every 5 years.

10. Segmental Reporting

Segment information for the six months ended 30 June 2018 is as follows:-

	Malaysia RM'000	Hong Kong RM'000	Elimination RM'000	Total RM'000 30-Jun-18	Total RM'000 30-Jun-17
Revenue					
External sales	174,506	-	-	174,506	173,831
Inter-segment sales	-	-	-	-	-
Total revenue	<u>174,506</u>	<u>-</u>	<u>-</u>	<u>174,506</u>	<u>173,831</u>
Results					
Operating profit/(loss)	(599)	(47)	-	(646)	1,896
Finance costs	<u>(1,163)</u>	<u>-</u>	<u>-</u>	<u>(1,163)</u>	<u>(1,008)</u>
(Loss)/profit before tax	<u>(1,762)</u>	<u>(47)</u>	<u>-</u>	<u>(1,809)</u>	<u>888</u>
Income tax expenses	-	-	-	-	-
(Loss)/profit for the period	<u>(1,762)</u>	<u>(47)</u>	<u>-</u>	<u>(1,809)</u>	<u>888</u>
Assets					
Segment assets	118,143	19	-	118,162	122,390
Liabilities					
Segment liabilities	48,625	8	-	48,633	55,108

11. Subsequent Event

There were no events that occurred subsequent to the end of the current quarter ended 30 June 2018 until the date of this report.

12. Changes in Composition of the Group

On 19 April 2018, incorporation of a new wholly-owned subsidiary, Ta Win Manufacturing Sdn. Bhd. was announced by the Board of Directors.

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13. Changes in Contingent Liabilities and Contingent Assets

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2017.

14. Capital Commitments

There were no material capital commitments entered by the Group in this current quarter ended 30 June 2018.

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

15. Performance Analysis

Segment	3 months ended		6 months ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
Malaysia				
Revenue	82,067	89,485	174,506	173,831
(Loss)/profit before tax	(1,532)	(658)	(1,762)	969
Hong Kong				
Revenue	-	-	-	-
Loss before tax	(12)	(40)	(47)	(81)
Group Total				
Revenue	82,067	89,485	174,506	173,831
(Loss)/profit before tax	(1,544)	(698)	(1,809)	888

For the 3 months ended 30 June 2018, the Group recorded a lower revenue of RM82.067 million as compared to RM89.485 million in the same corresponding quarter ended 30 June 2017. The lower revenue was mainly due to seasonality. The Group registered loss before tax of RM1.544 million in the current quarter as compared to the loss before tax of RM698 thousand in the same corresponding period ended 30 June 2017. The Group recorded a higher loss primarily due to lower revenue.

16. Comparison with immediate Preceding Quarter's results

Segment	3 months ended	
	30-Jun-18	31-Mar-18
	RM'000	RM'000
Malaysia		
Revenue	82,067	92,439
(Loss)/profit before tax	(1,532)	(230)
Hong Kong		
Revenue	-	-
Loss before tax	(12)	(35)
Group Total		
Revenue	82,067	92,439
(Loss)/profit before tax	(1,544)	(265)

For the second quarter under review, the Group's revenue decreased by 11.22% to RM82.067 million as compared to RM92.439 million in the preceding quarter. The decrease of revenue was mainly due to equipment downtime and maintenance, resulting in sales being pushed out to the next quarter. The group registered a loss before tax of RM1.544 million during the second quarter as compared to loss before tax of RM265 thousand in the previous quarter. Reduction in profit before tax was mainly due to reduction in sales.

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NOTES TO INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

17. Commentary on Prospects

Management is in the process of securing additional trade lines in order to facilitate planned increases in production and sales volume, while at the same time securing additional orders from existing and new customers. In addition, management is reviewing alternatives to expand production capacity organically as well as inorganically. These initiatives are expected to result in substantial increases in sales and profitability in the quarters to come.

The Group believes in maintaining a close business relationship with all its customers, especially the major customers. Simultaneously, it is exploring new overseas market potential and will continue with its measures to control its operational costs by enhancing productivity.

18. Profit Forecast or Profit Guarantee

There was neither a profit forecast nor a profit guarantee issued by the Company for the current quarter ending 30 June 2018.

19. Income Tax Expense

	3 months ended		6 months ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
Tax expenses				
Income tax	-	-	-	-
Deferred tax	-	-	-	-
Total tax expenses charges in current period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

20. Sale of Unquoted Investments and Properties

There were no sales of unquoted investments and properties for the financial year ended 30 June 2018.

21. Status of Corporate Proposals

On 15 December 2017, Mercury Securities Sdn Bhd, on behalf of the Board of Directors has announced that it will undertake the following:

- (i) proposed renounceable Rights Issue of 192,858,900 new ordinary shares and 257,145,200 Redeemable Convertible Preference Shares ("RCPS") together with 128,572,600 free detachable warrants on the basis of 3 rights shares and 4 RCPS together with 2 warrants attached for every one existing share held on an entitlement date;
- (ii) proposed establishment of an Employees' Share Option Scheme ("ESOS") of up to 15% of the total number of issued shares of Ta Win; and
- (iii) proposed amendments to Ta Win's Constitution.

On 26 December 2017, Mercury Securities Sdn Bhd, on behalf of the Board of Directors announced additional information in relation to the Directors' and/or major shareholders' interests and/or persons connected to them in relation to the Proposed ESOS.

On 17 January 2018, Mercury Securities Sdn Bhd, on behalf of the Board of Directors, announced that the applications in relation Proposed Rights Issue and Proposed ESOS has been submitted to Bursa Securities on 17 January 2018.

On 30 January 2018, Mercury Securities Sdn Bhd, on behalf of the Board of Directors, announced that Bursa Securities has, vide its letter dated 30 January 2018, resolved to approve (subject to the conditions in Bursa Securities Letter) the following:

- (a) listing of up to 192,858,900 Rights Shares to be issued pursuant to the Proposed Rights Issue;

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NOTES TO INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

21. Status of Corporate Proposals (cont'd)

- (b) admission to the Official List and listing of up to 257,145,200 RCPS to be issued pursuant to the Proposed Rights Issue;
- (c) admission to the Official List and listing of up to 128,572,600 Warrants to be issued pursuant to the Proposed Rights Issue;
- (d) listing of up to 257,145,200 new Shares to be issued arising from the conversion of RCPS;
- (e) listing of up to 128,572,600 new Shares to be issued arising from the exercise of Warrants; and
- (f) listing of such number of additional new Shares, representing up to 15% of the total number of issued shares of Ta Win (excluding treasury shares), to be issued pursuant to the Proposed ESOS.

On 27 February 2018, shareholders of the Company approved all the proposal at the Extraordinary General Meeting.

On 13 April 2018, Mercury Securities Sdn Bhd, on behalf of the Board of Directors has announced that it has submitted a confirmation in respect of the ESOS to Bursa Securities pursuant to Paragraph 6.43 of the Listing Requirements. Accordingly, the effective date for the implementation of the ESOS is 13 April 2018.

On 26, April 2018 Mercury Securities Sdn Bhd, on behalf of the Board of Directors has announced that the Board has resolved not to implement the Rights Issue as approved due to unfavourable market conditions which are not conducive for the implementation of the current rights issue exercise.

22. Borrowings and Debts Securities

	As at 30-Jun-18 RM'000	As at 30-Jun-17 RM'000
Short term borrowings		
Secured	44,115	29,505
Unsecured	-	24,233
	<u>44,115</u>	<u>53,738</u>

23. Derivative Financial Instruments

There was no derivative financial instrument issued as at the end of the current quarter.

24. Changes in Material Litigation

There was no material litigation pending as at the date of this announcement.

25. Dividend

No dividend was recommended for the current financial year under review.

26. (Loss)/profit before tax

The following items have included in the statement of comprehensive income in arriving at (loss)/profit before tax:

	Cumulative Qtr 6 months ended 30-Jun-18 RM'000
Interest income	20
Rental income	52
Interest expenses	(1,163)
Depreciation and amortization	(396)
Gain on disposal of property, plant and equipment	-
Realised Foreign exchange (loss)/gain	1,223
Unrealised Foreign exchange (loss)/gain	667

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NOTES TO INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

27. (Loss)/earnings Per Share ("EPS")

a) Basic EPS

Basic EPS is calculated by dividing the net (loss)/profit for the period by the weighted average number of ordinary issue shares in during the period.

	Current Quarter		Cummulative Quarter	
	3 months ended	3 months ended	6 months ended	6 months ended
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
(Loss)/profit for the year attributable to equity holders of the parent (RM'000)	(1,544)	(698)	(1,809)	888
Weighted average number of ordinary shares in issue ('000)	70,086	66,084	70,086	66,084
Basic EPS (sen)	<u>(2.20)</u>	<u>(1.06)</u>	<u>(2.58)</u>	<u>1.34</u>

b) Diluted EPS

The diluted EPS per share is not calculated as there is no dilutive effect for the shares.

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 14 Aug 2018.