

Ta Win Holdings Berhad

(291592-U)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30-Sep-18 RM'000	30-Sep-17 RM'000	30-Sep-18 RM'000	30-Sep-17 RM'000
Revenue	109,094	111,707	283,600	285,538
Cost of sales	(106,913)	(108,474)	(279,668)	(280,417)
Gross Profit	<u>2,181</u>	<u>3,233</u>	<u>3,932</u>	<u>5,121</u>
Other Income	827	103	1,860	211
Selling and distribution expenses	(482)	(435)	(1,209)	(1,056)
Administrative expenses	(1,450)	484	(4,153)	1,005
Profit from operation	<u>1,076</u>	<u>3,385</u>	<u>430</u>	<u>5,281</u>
Finance costs	(686)	(598)	(1,849)	(1,606)
Profit/(loss) before tax	<u>390</u>	<u>2,787</u>	<u>(1,419)</u>	<u>3,675</u>
Income tax expense	(200)	-	(200)	-
Net profit/(loss) for the period	<u>190</u>	<u>2,787</u>	<u>(1,619)</u>	<u>3,675</u>
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(22)	9	25	30
Total comprehensive income/(loss) for the period	<u>168</u>	<u>2,796</u>	<u>(1,594)</u>	<u>3,705</u>
Total loss attributable to:				
Equity holders of the parents	<u>190</u>	<u>2,787</u>	<u>(1,619)</u>	<u>3,675</u>
Total comprehensive loss attributable to:				
Equity holders of the parents	<u>168</u>	<u>2,796</u>	<u>(1,594)</u>	<u>3,705</u>
Earning/(loss) per share (sen)				
- Basic	0.27	4.22	(2.31)	5.56
- Diluted	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 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 THIRD QUARTER ENDED 30 SEPTEMBER 2018

	(Unaudited)	(Audited)
	As at end of Current Quarter 30-Sep-18 RM'000	As at Preceeding Financial Year End 31-Dec-17 RM'000
Assets		
Non-current assets		
Property, plant and equipment	20,661	20,699
Investment property	1,600	1,600
	22,261	22,299
Current assets		
Inventories	36,140	31,065
Trade receivables	37,942	44,575
Other receivables, prepayment and deposits	7,073	13,481
Cash and cash equivalents	28,043	10,970
	109,198	100,091
Total assets	131,459	122,390
Equity and liabilities		
Current liabilities		
Loans and borrowings	57,891	47,185
Trade payables	73	405
Other payables	1,377	5,097
Deferred tax liabilities	2,421	2,421
	61,762	55,108
Net current assets	47,436	44,983
Net assets	69,697	67,282
Equity attributable to equity holders of the Company		
Share capital	70,086	66,084
Foreign exchange reserves	(374)	(399)
Revaluation reserves	4,320	4,320
Accumulated losses	(4,335)	(2,723)
Total equity	69,697	67,282
Total equity and liabilities	131,459	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 THIRD QUARTER ENDED 30 SEPTEMBER 2018

	← Attributable to Equity Holders of the Parents →					
	← Non-Distributable →					
	Share capital	Share premium	Revaluation reserve	Exchange reserve	Accumulated losses	Total
	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	-	-	-	25	(1,619)	(1,594)
Closing balance at 30 September 2018	70,086	-	4,320	(374)	(4,335)	69,697
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	-	-	-	30	3,675	3,705
Closing balance at 30 September 2017	66,084	-	4,320	(418)	(1,793)	68,193

* 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 THIRD QUARTER ENDED 30 SEPTEMBER 2018

	9 months ended 30-Sep-18 RM'000	9 months ended 30-Sep-17 RM'000
Operating activities		
(Loss)/profit before tax	(1,419)	3,675
Adjustments for :		
Depreciation of property, plant and equipment	544	633
Interest expense	1,849	1,606
Interest income	(20)	(1)
Unrealised foreign exchange loss/(gain)	25	(632)
Operating cash flows before changes in working capital	979	5,281
<u>Changes in working capital</u>		
Decrease/(increase) in receivables	13,475	(11,226)
(Increase)/decrease in inventories	(5,075)	4,886
(Decrease)/increase in payables	(4,686)	2,616
Cash flows from operations	4,693	1,557
Income taxes paid	-	(18)
Interest paid	(1,849)	(1,606)
Interest received	20	1
Net cash flows from/(used in) operating activities	2,864	(66)
Investing activities		
Purchase of property, plant and equipment	(506)	-
Placement of deposit pledged with bank	(5,887)	-
Net cash flows used in investing activities	(6,393)	-
Financing activities		
Repayment of loans and borrowings	(4,085)	(2,562)
Drawdown of trade facilities	14,843	-
Repayment of hire purchase financing	(52)	(68)
Proceeds from issuance of shares	4,002	-
Net cash flows from/(used in) financing activities	14,708	(2,630)
Net increase/(decrease) in cash and cash equivalents	11,179	(2,696)
At beginning of financial period	6,857	14,894
Effects of exchange rate changes	7	(30)
At end of financial year	18,043	12,168
Cash and bank balances	18,043	12,168
Deposit pledged with banks	10,000	4,263
Net cash and cash equivalents	28,043	16,431

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 THIRD QUARTER ENDED 30 SEPTEMBER 2018

1. Basis of Preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysia Financial Reporting Standard ("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 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 copper wire and rods are not subject to significant cyclical or seasonal factors, other than mild slowdowns due to holidays, especially during festival holiday season.

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NOTES TO INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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

There were no material issuances, repayments of debt or equity securities, or share cancellation in the current interim period 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 nine months ended 30 September 2018 is as follows:-

	Malaysia RM'000	Hong Kong RM'000	Elimination RM'000	Total RM'000 30-Sep-18	Total RM'000 30-Sep-17
Revenue					
External sales	283,600	-	-	283,600	285,538
Inter-segment sales	-	-	-	-	-
Total revenue	<u>283,600</u>	<u>-</u>	<u>-</u>	<u>283,600</u>	<u>285,538</u>
Results					
Operating profit/(loss)	478	(48)	-	430	5,281
Finance costs	(1,849)	-	-	(1,849)	(1,606)
(Loss)/profit before tax	(1,371)	(48)	-	(1,419)	3,675
Income tax expenses	(200)	-	-	(200)	-
(Loss)/profit for the period	<u>(1,571)</u>	<u>(48)</u>	<u>-</u>	<u>(1,619)</u>	<u>3,675</u>
Assets					
Segment assets	131,439	20	-	131,459	131,918
Liabilities					
Segment liabilities	61,753	9	-	61,762	63,725

11. Subsequent Event

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

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NOTES TO INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

12. Changes in Composition of the Group

On 19 September 2018, incorporation of a new wholly-owned subsidiary, Ta Win Copper Sdn. Bhd. ("TWC") was announced by the Board of Directors.

On 11 October 2018, the Board of Directors has announced that Ta Win had on 10 October 2018 entered into a Joint Venture Agreement with Full Dragon Electric (Guang Dong) Company Limited ("Full Dragon") and Wing Ying Non-Ferrous Trading Limited ("Wing Ying") , to jointly invest in, setup, and operate a new copper rod manufacturing line in Malaysia via TWC. The proposed shareholding composition of TWC is 65% owned by Ta Win, 25% owned by Wing Ying and the remaining 10% by Full Dragon.

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

Capital commitments of the Group in respect of capital expenditure is as follows:

	As at 30-Sep-18 RM'000
Approved and contracted for	
Share of joint venture's capital commitments*	7,689

* Includes the Group's 65% share of commitments in the Joint Venture Agreement with Full Dragon and Wing Ying, of which RM4,709 million will be capitalised as paid-up equity and the balance will be treated as debt.

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

15. Performance Analysis

Segment	3 months ended		9 months ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
Malaysia				
Revenue	109,094	111,707	283,600	285,538
Profit/(loss) before tax	391	2,827	(1,371)	3,796
Hong Kong				
Revenue	-	-	-	-
Loss before tax	(1)	(40)	(48)	(121)
Group Total				
Revenue	109,094	111,707	283,600	285,538
Profit/(loss) before tax	390	2,787	(1,419)	3,675

For the 3 months ended 30 September 2018, the Group recorded a lower revenue of RM109.09 million as compared to RM111.71 million in the same corresponding quarter ended 30 September 2017. The lower revenue was mainly due to seasonality. The Group registered profit before tax of RM390 thousand in the current quarter as compared to the profit before tax of RM2.79 million in the same corresponding period ended 30 September 2017. The Group recorded a lower profit primarily due to lower revenue.

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NOTES TO INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

16. Comparison with immediate Preceding Quarter's results

Segment	3 months ended	
	30-Sep-18	30-Jun-18
	RM'000	RM'000
Malaysia		
Revenue	109,094	82,067
Profit/(loss) before tax	391	(1,532)
Hong Kong		
Revenue	-	-
Loss before tax	(1)	(12)
Group Total		
Revenue	109,094	82,067
Profit/(loss) before tax	390	(1,544)

For the third quarter under review, the Group's revenue increased by 32.93% to RM109.09 million as compared to RM82.07 million in the preceding quarter. The increase of revenue was mainly due to higher sales volume and lower equipment downtime and maintenance as compared to the preceding quarter. The group registered a profit before tax of RM390 thousand during the third quarter as compared to loss before tax of RM1.54 million in the previous quarter. Increase in profit before tax was mainly due to increase in sales, gross margin and reduction in administrative expenses.

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 Joint Venture Agreement with Full Dragon and Wing Ying that was announced this quarter is expected to be in operation by Q1 2019. By leveraging the operational know-how and the sales channels of the joint venture partners, the Group will expand its production capacity, sales volume as well as margins.

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 September 2018.

19. Income Tax Expense

	3 months ended		9 months ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
Tax expenses				
Income tax	200	-	200	-
Deferred tax	-	-	-	-
Total tax expenses charges in current period	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>

20. Sale of Unquoted Investments and Properties

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

21. Status of Corporate Proposals

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

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NOTES TO INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

22. Borrowings and Debts Securities

	As at 30-Sep-18 RM'000	As at 30-Sep-17 RM'000
Short term borrowings		
Secured	57,891	31,560
Unsecured	-	25,320
	<u>57,891</u>	<u>56,880</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. Profit/(loss) before tax

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

	Cumulative Qtr 9 months ended 30-Sep-18 RM'000
Interest income	20
Rental income	78
Interest expenses	(1,849)
Depreciation and amortization	(544)
Realised Foreign exchange gain	1,399
Unrealised Foreign exchange gain	199

27. Earnings/(loss) Per Share ("EPS")

a) Basic EPS

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

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
Profit/(loss) for the year attributable to equity holders of the parent (RM'000)	190	2,787	(1,619)	3,675
Weighted average number of ordinary shares in issue ('000)	70,086	66,084	70,086	66,084
Basic EPS (sen)	<u>0.27</u>	<u>4.22</u>	<u>(2.31)</u>	<u>5.56</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 29 November 2018.