德成控股有限公司
TEK SENG HOLDINGS BERHAD (579572-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	(Unaudited) As At 30.09.18 RM'000	(Audited) As At 31.12.17 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	243,893	336,735
	243,893	336,735
Current assets		
Inventories	48,916	55,610
Trade receivables	35,762	29,886
Other receivables, deposits and prepayments	3,116	3,613
Current tax assets	75	34
Cash and bank balances	3,466	10,301
	91,335	99,444
TOTAL ASSETS	335,228	436,179
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	111,871	111,868
Retained earnings	98,616	144,425
	210,487	256,293
Non-controlling interests	81,822	132,085
Total equity	292,309	388,378
Non-current liabilities		
Deferred tax liabilities	4,706	13,919
	4,706	13,919
Current liabilities		
Trade payables	21,845	8,710
Other payables	11,125	19,002
Provision	4,328	4,328
Current tax liabilities	915	1,842
	38,213	33,882
Total liabilities	42,919	47,801
TOTAL EQUITY AND LIABILITIES	335,228	436,179
Net Assets per Share (RM)	0.60	0.74
Net Assets (RM'000)	210,487	256,293

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE-MONTHS ENDED 30 SEPTEMBER 2018

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.18	30.09.17	30.09.18	30.09.17
	RM'000	RM'000	RM'000	RM'000
Revenue	43,450	68,958	148,365	227,425
Cost of sales	(46,857)	(66,713)	(156,962)	(224,467)
Gross (loss) / profit	(3,407)	2,245	(8,597)	2,958
Other operating income	763	64	2,212	11,596
Operating expenses	(5,154)	(5,213)	(90,905)	(16,547)
Finance costs	(26)	(103)	(46)	(441)
Loss before tax	(7,824)	(3,007)	(97,336)	(2,434)
Income tax expense	(1,264)	(784)	4,947	(4,536)
Loss for the period	(9,088)	(3,791)	(92,389)	(6,970)
Other comprehensive income, net of tax	0	0	0	0
Total comprehensive loss for the period	(9,088)	(3,791)	(92,389)	(6,970)
(Loss) / Profit for the period attributable to:				
- Equity holders of the Company	(3,463)	(1,075)	(42,126)	3,574
- Non-controlling interests	(5,625)	(2,716)	(50,263)	(10,544)
Total comprehensive (loss) / income for the period attributable to:				
- Equity holders of the Company	(3,463)	(1,075)	(42,126)	3,574
- Non-controlling interests	(5,625)	(2,716)	(50,263)	(10,544)
Earnings per share attributable to equity holders of the Company:				
Basic earnings per share (sen)	(0.99)	(0.31)	(12.10)	1.03
Diluted earnings per share (sen)	(0.99)	(0.29)	(11.79)	0.96

(The Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTHS ENDED 30 SEPTEMBER 2018

		Non-Distributable	Distributable			
	Share Capital RM'000	Share Premium RM'000	Retained Earnings RM'000	Total Attributable To Owners of The Parent RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 January 2017	87,032	24,835	124,619	236,486	121,148	357,634
Profit / (Loss) for the financial period	0	0	3,574	3,574	(10,544)	(6,970)
Other comprehensive income, net of tax	0	0	0	0	0	0
Total comprehensive income / (loss) for the period	0	0	3,574	3,574	(10,544)	(6,970)
Transactions with owners						
Issuance of ordinary shares						
- exercise of warrants	1	0	0	1	0	1
Dividend	0	0	(3,481)	(3,481)	0	(3,481)
Total transactions with owners	1	0	(3,481)	(3,480)	0	(3,480)
Transition to no par value on 31 January 2017*	24,835	(24,835)	0	0	0	0
At 30 September 2017	111,868	0	124,712	236,580	110,604	347,184
At 1 January 2018	111,868	0	144,425	256,293	132,085	388,378
Adjustment on initial application of MFRS 9	0	0	(202)	(202)	0	(202)
Loss for the financial period	0	0	(42,126)	(42,126)	(50,263)	(92,389)
Other comprehensive income, net of tax	0	0	0	0	0	0
Total comprehensive loss for the period	0	0	(42,126)	(42,126)	(50,263)	(92,389)
Transactions with owners						
Issuance of ordinary shares						
- exercise of warrants	3	0	0	3	0	3
Dividend	0	0	(3,481)	(3,481)	0	(3,481)
Total transactions with owners	3	0	(3,481)	(3,478)	0	(3,478)
At 30 September 2018	111,871	0	98,616	210,487	81,822	292,309

*The new Companies Act 2016 ('the Act'), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM24,834,921 for purposes as set out in Section 618(3).

(The Unaudited Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTHS ENDED 30 SEPTEMBER 2018

	9 months ended	
	30.09.18	**30.09.17**
	RM'000	**RM'000**
Cash flows from operating activities		
Loss before tax	(97,336)	(2,434)
Adjustments for :		
Impairment loss on receivables	559	0
Depreciation	19,823	25,611
Interest expense	46	441
Interest income	(17)	(12)
Unrealised loss on foreign exchange	80	3,025
Impairment of Property, plant and equipment	74,447	0
Gain on disposal of property, plant and equipment	(1)	(5,206)
Operating profit before working capital changes	(2,399)	21,425
Decrease in inventories	6,694	24,119
(Increase) / Decrease in trade and other receivables	(5,578)	8,880
Increase / (Decrease) in trade and other payables	4,943	(19,554)
Cash generated from operations	3,660	34,870
Interest paid	(46)	(441)
Interest received	17	12
Tax paid	(5,234)	(4,483)
Net cash (used in) / from operating activities	(1,603)	29,958
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	30	16
Purchase of property, plant and equipment	(1,457)	(2,176)
Net cash used in investing activities	(1,427)	(2,160)
Cash flows from financing activities		
Dividend paid	(3,481)	0
Proceeds from short term bank borrowings	5,742	9,423
Repayments of short term bank borrowings	(5,742)	(11,414)
Repayments of term loans	0	(11,306)
Proceeds from issuance of shares pursuant to exercise of warrants	3	1
Net cash used in financing activities	(3,478)	(13,296)
Net changes in cash and cash equivalents	(6,508)	14,502
Effect of exchange rate changes on cash and cash equivalents	(327)	(1,405)
Cash and cash equivalents at beginning of the financial period	10,301	4,810
Cash and cash equivalents at end of the financial period	3,466	17,907

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

	As at	**As at**
	30.09.18	**30.09.17**
	RM'000	**RM'000**
Cash and bank balances	3,466	19,706
Bank overdrafts	0	(1,799)
	3,466	17,907

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017)

NOTES TO THE INTERIM FINANCIAL REPORT

PART A : EXPLANATORY NOTES AS PER MFRS 134

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standards ('MFRS') No. 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2017.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited consolidated financial statements of the Group for the financial year ended 31 December 2017.

The Group had adopted the following Amendments to Standards, with a date of initial application of 1 January 2018.

Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*
MFRS 15 *Revenue from Contracts with Customers*
Clarification to MFRS 15
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*
Amendments to MFRS 140 *Transfers of Investment Property*
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
Amendments to MFRS 4 *Applying MFRS 9* Financial Instruments *with MFRS 4* Insurance Contracts

The adoption of the above pronouncements has no material financial impact to the Group other than as set out below:

i. MFRS 9 Financial Instruments

The Group adopted MFRS 9 Financial Instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances will be measured on either 12 month ECLs or Lifetime ECLs. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives.

Effects arising from the initial application of the new impairment model are as follows:

	Impact of adoption of MFRS 9 to opening balance at 1 January 2018
	RM'000
Decrease in retained earnings	202
Decrease in trade and other receivables	202

ii. MFRS 15 Revenue from Contract with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The application of MFRS 15 does not have a material effect on the Group's financial statements.

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

MFRS 16 *Leases*
IC Interpretation 23 *Uncertainty over Income Tax Treatments*
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015–2017 Cycle*
Amendments to MFRS *11 Annual Improvements to MFRS Standards 2015–2017 Cycle*
Amendments to MFRS *112 Annual Improvements to MFRS Standards 2015–2017 Cycle*
Amendments to MFRS *123 Annual Improvements to MFRS Standards 2015–2017 Cycle*
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*
MFRS 17 *Insurance Contracts*
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to References to the Conceptual Framework in MFRS Standards

A2. Auditors' Report

The auditors' report on the financial statements for the financial year ended 31 December 2017 was not subject to any qualification.

A3. Seasonal and Cyclical factors

Other than solar segment, the Group's products are subject to some seasonality whereby production has slight improvements in the first quarter of the year. Production runs normally from the second quarter and peaks in third and fourth quarters before the major festivals such as Hari Raya, Christmas day, New Year and Chinese New Year.

NOTES TO THE INTERIM FINANCIAL REPORT

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting the assets, liabilities, equity, net income, or cash flows because of their nature, size, or incidence for the current quarter under review and financial year to date, save for the disclosure below:

The Group has carried out impairment review of property, plant and equipment. An impairment loss of RM74,446,697 has been recognised in the profit or loss. The recoverable amount was based on the use of external independent suppliers.

A5. Material Changes in Estimates

There were no other changes in accounting estimates of amounts reported in prior interim periods or the current financial period or changes in estimates of amounts reported in prior financial years.

A6. Issuances and repayment of debt and equity securities

For the financial period to date, there was no issuances, cancellations, repurchases, resale and repayments of debt and equity securities, save for the disclosure below:

- Issuance of 13,000 new ordinary shares pursuant to the exercise of warrants at RM0.25 per share. The total cash proceeds arising from the exercise of warrants during the current financial period amounted to RM3,250.

A7. Dividend paid

A single tier final dividend of 1.0 sen per ordinary share for the financial year ended 31 December 2017 has been paid on 20 July 2018.

A8. Other Operating Income

	Current Quarter 30.09.2018 RM'000	9 months Cumulative 30.09.2018 RM'000
Interest income	6	17
Gain on disposal of property, plant and equipment	0	1
Income from sale of solar energy	506	1,557
Compensation received from a customer	0	360
Other income	251	277
Total other operating income	763	2,212

A9. Operating Expenses

	Current Quarter 30.09.2018 RM'000	9 months Cumulative 30.09.2018 RM'000
Depreciation	282	874
Rental	1	11
Salaries, allowances and bonus	2,120	6,786
Transportation	1,356	4,508
Water and electricity	22	66
General repairs and maintenance	171	518
Foreign exchange loss	159	226
Impairment loss	274	559
Impairment of property, plant and equipment*	0	74,446
Others	769	2,911
Total operating expenses	5,154	90,905

*the Group has carried out impairment review of property, plant and equipment. An impairment loss of RM74,446,697 has been recognised in the profit or loss. The recoverable amount was based on the use of external independent suppliers.

A10. Finance costs

	Current Quarter 30.09.2018 RM'000	9 months Cumulative 30.09.2018 RM'000
Interest on bankers' acceptance	19	30
Interest on revolving credit	4	9
Others	3	7
Total finance costs	26	46

NOTES TO THE INTERIM FINANCIAL REPORT

A11. Segmental Reporting

The Group is principally involved in investment holding and its subsidiaries are principally engaged in manufacturing and trading of Polyvinyl Chloride ('PVC') related products and Polypropylene ('PP') Non-Woven, manufacturing and trading of Solar Cell products.

The Group has arrived at two (2) reportable segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements, which requires different business and marketing strategies.

The reportable segments are summarised as follows:

(i) PVC
Manufacturing and trading of PVC Sheeting, PP Non-Woven, PVC Leather related products for industrial and consumer use.

(ii) Solar
Manufacturing and trading of Solar related products.

1 July 2018 to 30 September 2018	**PVC** RM'000	**Solar** RM'000	**Group** RM'000
Revenue			
Total revenue	50,193	3,342	53,535
Elimination	(10,085)	0	(10,085)
Revenue from external customers	40,108	3,342	43,450
Results			
Segment results	3,595	(12,156)	(8,561)
Other operating income	20	743	763
Finance costs	(26)	0	(26)
Profit / (Loss) before tax	3,589	(11,413)	(7,824)
Income tax expense	(1,264)	0	(1,264)
Profit / (Loss) for the period	2,325	(11,413)	(9,088)

1 July 2017 to 30 September 2017	**PVC** RM'000	**Solar** RM'000	**Group** RM'000
Revenue			
Total revenue	39,729	33,140	72,869
Elimination	(3,911)	0	(3,911)
Revenue from external customers	35,818	33,140	68,958
Results			
Segment results	2,598	(5,566)	(2,968)
Other operating income	0	64	64
Finance costs	(103)	0	(103)
Profit / (Loss) before tax	2,495	(5,502)	(3,007)
Income tax expense	(784)	0	(784)
Profit / (Loss) for the period	1,711	(5,502)	(3,791)

1 January 2018 to 30 September 2018	**PVC** RM'000	**Solar** RM'000	**Group** RM'000
Revenue			
Total revenue	157,094	12,673	169,767
Elimination	(21,402)	0	(21,402)
Revenue from external customers	135,692	12,673	148,365
Results			
Segment results	13,220	(112,722)	(99,502)
Other operating income	57	2,155	2,212
Finance costs	(46)	0	(46)
Profit / (Loss) before tax	13,231	(110,567)	(97,336)
Income tax expense	(3,667)	8,614	4,947
Profit / (Loss) for the period	9,564	(101,953)	(92,389)
Assets	**122,398**	**212,830**	**335,228**
Liabilities	**38,962**	**3,957**	**42,919**

NOTES TO THE INTERIM FINANCIAL REPORT

A11. Segmental Reporting (Continued)

1 January 2017 to 30 September 2017	**PVC** RM'000	**Solar** RM'000	**Group** RM'000
Revenue			
Total revenue	149,060	93,315	242,375
Elimination	(14,950)	0	(14,950)
Revenue from external customers	134,110	93,315	227,425
Results			
Segment results	19,717	(33,306)	(13,589)
Other operating income	0	11,596	11,596
Finance costs	(441)	0	(441)
Profit / (Loss) before tax	19,276	(21,710)	(2,434)
Income tax expense	(4,536)	0	(4,536)
Profit / (Loss) for the period	14,740	(21,710)	(6,970)
Assets	**117,296**	**343,850**	**461,146**
Liabilities	**21,983**	**91,979**	**113,962**

A12. Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment by the Group since the last audited financial statements for the financial year ended 31 December 2017.

A13. Subsequent Events

On 18 July 2018, Tek Seng was announced that TS Solartech Sdn. Bhd. ("TSST"), a 50.69% owned subsidiary of the Company, has decided to temporary stop its entire production activities which is expected to be in the 3rd quarter of the financial year ending 31 December 2018.

On 17 September 2018, TSST was ceased the production activities.

A14. Changes In The Composition of The Group

There were no changes in the composition of the Group for the current year to date.

A15. Contingent Liabilities

	RM'000
Secured corporate guarantees given to licensed banks for facilities granted to subsidiaries	66,221
Unsecured corporate guarantees given to suppliers of subsidiaries	4,141
	70,362

A16. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 September 2018 is as follows :-

	RM'000
Contracted but not provided for	0

PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B1. Review of Performance

Table 1 : Financial Review for current quarter and financial year to date

	Current Quarter 3 months ended		**Changes + / -**		**Cumulative Quarter 9 months ended**		**Changes + / -**	
	30.09.18 RM'000	**30.09.17** RM'000	**RM'000**	**%**	**30.09.18** RM'000	**30.09.17** RM'000	**RM'000**	**%**
Revenue	43,450	68,958	(25,508)	(36.99)	148,365	227,425	(79,060)	(34.76)
Gross (loss) / profit	(3,407)	2,245	(5,652)	(251.76)	(8,597)	2,958	(11,555)	(390.64)
Loss before interest and tax	(7,798)	(2,904)	(4,894)	168.53	(97,290)	(1,993)	(95,297)	4,781.59
Loss before tax	(7,824)	(3,007)	(4,817)	160.19	(97,336)	(2,434)	(94,902)	3,899.01
Loss for the period	(9,088)	(3,791)	(5,297)	139.73	(92,389)	(6,970)	(85,419)	1,225.52
(Loss) / Profit attibutable to ordinary equity holders of the parent	(3,463)	(1,075)	(2,388)	222.14	(42,126)	3,574	(45,700)	(1,278.68)

NOTES TO THE INTERIM FINANCIAL REPORT

B1. Review of Performance (Continued)

a) Current Year-to date vs. Previous Year-to-date

For the financial period ended 30 September 2018, the Group recorded a revenue of RM148.4 million while loss before tax was recorded at RM97.3 million. When compared to corresponding period of 30 September 2017, the revenue has decreased by RM79.1 million and the Group's loss before tax has increased by RM94.9 million as a result of lower revenue, other operating income and higher impairment loss of property, plant and equipment.

Performance of the respective operating business segments for the period ended 30 September 2018 as compared to the previous year corrensponding period is analysed as follows:-

1) PVC - The decrease in profit before tax by RM6 million to RM13.2 million was mainly due to higher operating costs.

2) Solar - The increase in loss before tax by RM88.9 million to RM110.6 million was mainly due to lower sales volume, other operating income and higher impairment loss of property, plant and equipment. The impairment loss of property, plant and equipment is due to the temporary cessation of production activities in the third quarter of the financial year ending 31 December 2018.

b) Current Quarter vs. Previous Year Corresponding Quarter

For the current quarter, the Group recorded a revenue of RM43.4 million while loss before tax was recorded at RM7.8 million. The major contributor of the Group's revenue was from PVC segment, which contributed approximately 92.3% in the current quarter. As compared to corresponding quarter of 30 September 2017, the revenue has decreased by RM25.5 million and the Group's loss before tax has increased by RM4.8 million. This was mainly due to significant lower revenue and other operating income recorded by the Solar segment.

Performance of the respective operating business segments for the current quarter ended 30 September 2018 as compared to the previous year's corresponding quarter is analysed as follows:-

1) PVC - The increase in profit before tax by RM1.1 million from profit before tax RM2.5 million to RM3.6 million was mainly due to higher revenue.

2) Solar - The increase in loss before tax by RM5.9 million to RM11.4 million was mainly due to lower sales volume.

B2. Variation of Results Against Preceding Quarter

Table 2 : Financial Review for current quarter and compared with immediate preceding quarter

	Current Quarter 01.07.18-30.09.18 RM'000	Preceding Quarter 01.04.18-30.06.18 RM'000	Changes RM'000	%
Revenue	43,450	54,043	(10,593)	(19.60)
Gross Loss	(3,407)	(3,443)	36	(1.05)
Loss before interest and tax	(7,798)	(83,074)	75,276	(90.61)
Loss before tax	(7,824)	(83,085)	75,261	(90.58)
Total comprehensive loss for the period	(9,088)	(75,685)	66,597	(87.99)
Loss attributable to ordinary equity holders of the parent	(3,463)	(36,522)	33,059	(90.52)

The Group recorded lower revenue of RM43.5 million in the current quarter, representing 19.6% decrease from RM54 million in the preceding quarter due to lower revenue contributed by the PVC segments.

The Group's loss before tax for the current quarter is RM7.8 million which has decreased by RM75.3 million from RM83.1 million loss before tax as recorded in the preceding quarter. This was mainly due to decrease in Solar segment's impairment loss of property, plant and equipment to the Group.

B3. Prospects

The Board of Directors foresees the performance of the Group for 2018 to remain stable for its PVC business although it may be affected by fluctuation in the price of raw materials as a result of the market uncertainty and the impact from the weakening Ringgit. However, the Group will be taking cautious approaches to mitigate the exposure by improving its operational efficiency, product quality and product innovation as a positive step forward to sustain the Group's business growth and success as well as monitoring financial aspect more closely. The Group will also look into exploring new market share globally.

As for the solar segment, the board foresees greater challenges in 2018. The demand for solar segment has decreased due to various external uncertainties including different government policy, thus leading to weaker awareness for solar products. After the temporary cessation of the production business as announcement dated 18 July 2018, the Company intends to keep the remaining assets of TSST and still able to continue with the provision of the activities regarding 1.1766MW feed-in tariff solar segment because this segment is not related to the production business. TSST will continue its activities of the solar system which involves design, consultancy and maintenance services. TSST is still maintaining its personnel for the mentioned activities thus there is no impact to the operation of the solar system.

B4. Variance of Actual and Forecast Revenue

Not applicable.

B5. Income Tax Expense

	Current Quarter 30.09.18 RM'000	9 months Cumulative 30.09.18 RM'000
Current tax expense		
- current	1,219	4,041
- prior years	224	224
Deferred tax expense		
- Origination and reversal of temporary differences	(179)	(9,212)
Total tax expense	1,264	(4,947)

The Group's effective tax rate for the current period was higher than the statutory tax rate of 24% due to certain expenses which are not deductible for tax purposes and losses suffered by a subsidiary.

B6. Sale of Unquoted Investments and/or Properties

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

NOTES TO THE INTERIM FINANCIAL REPORT

B7. Status of Corporate Proposal

There were no corporate proposals announced as at the date of issue of this interim financial report.

B8. Trade Receivables

	At end of current financial quarter 30.09.2018 RM'000	At end of previous financial year 31.12.2017 RM'000
Trade receivables	36,523	29,886
Less : Impairment loss	(761)	0
	35,762	29,886

The trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 120 days terms.

a) Ageing analysis of trade receivables of the Group is as follows:

	At end of current financial quarter 30.09.2018 RM'000	At end of previous financial year 31.12.2017 RM'000
Neither past due nor impaired	25,195	16,760
Past due, but not impaired		
1 to 30 days	5,700	5,587
31 to 60 days	3,865	4,888
61 to 90 days	526	138
More than 91 days	476	2,513
	10,567	13,126
	35,762	29,886
Impaired	761	0
	36,523	29,886

b) Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of trade receivables of the Group that are neither past due nor impaired have been renegotiated.

c) Trade receivables that are past due but not impaired amounting to RM10.6 million mainly arose from active corporate clients with healthy business relationship, in which the management is of the view that the amounts are recoverable based on past payment history. The trade receivables that are past due but not impaired are unsecured in nature.

B9. Related party disclosures

i) Identity of related party
- The Company has controlling related party relationship with its direct subsidiaries TS Solartech Sdn Bhd.

ii) The transactions detailed elsewhere in the interim financial statements, the Group had the following transactions with related party during the financial period:

	30.09.2018 RM'000	31.12.2017 RM'000
Shareholder of a subsidiary:		
Purchase of goods	13	5,894
Sale of goods	1,988	49,319

iii) The Company has controlling related party relationship with TS Solartech Sdn Bhd - Solartech Energy Corporation ("SEC") was dissolved after the merger on 01 October 2018, and this was resulted in transfer of shares to the acquiring company, Neo Solar Power Copr (“NSP”), which was renamed as United Renewable Energy Co. Ltd (“UREC”).

B10. Group Borrowings

The Group has no borrowings as at 30 September 2018.

B11. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B12. Material Litigation

Tenaga Nasional Berhad ("TNB") had in previous years instituted legal proceedings against Wangsaga Industries Sdn Bhd ("WISB"), a wholly-owned subsidiary of Tek Seng Holdings Berhad ("The Group") claiming for the electricity consumption in arrears for the period from 23 April 2006 to 13 April 2012.

The solicitors of WISB were of the opinion that the claim against WISB were unilaterally contrived and the claim intimates were frivolous and vexatious, that should be contested and defended up to the end of reporting period. Based on this legal opinion, the management of WISB were of the view that the possibility of an outflow of economic benefits were remote.

On 22 March 2018, WISB received a decision of the High Court in favour of TNB of a claim against WISB for the electricity consumption in arrears amounting to RM4,327,777. As of the date of this report, WISB has yet to receive the sealed copy of the judgement.

WISB had filed the application on 11 April 2018 to appeal against the decision of the High Court. The solicitor of WISB is of the opinion that the appeal is principally predicated on the dispute by WISB that the amount adjudged to be paid to TNB is inappropriate.

Notwithstanding the outcome of the appeal, the management of WISB recognised a provision for the sum of RM4,327,777 in the financial year ended 31 December 2017 based on the recent decision of the High Court. This is in compliance with Malaysian Financial Reporting Standards ("MFRS") 137 *Provisions, Contingent Liabilities and Contingent Assets.*

The Case Management was fixed on 25 June 2018, 31 July 2018 at the Court of Appeal at Putrajaya.

Further to the Announcements, the Company wishes to inform that the matter has now been adjourned by the Court of Appeal on 05 November 2018 to 03 December 2018 for case management.

NOTES TO THE INTERIM FINANCIAL REPORT

B13. Earning Per Share

(a) Basic Earnings Per Share

The basic earnings per share for the current financial quarter and current financial year-to-date had been calculated by dividing the Group's profit for the period attributable to equity holders of the Company by the weighted average number of shares in issue.

	Individual Current Quarter 30.09.18	9 Months Cumulative To Date 30.09.18
Loss for the period attributable to ordinary equity holders of the Company (RM'000)	(3,463)	(42,126)
Weighted average number of ordinary shares in issue ('000)	348,144	348,133
Basic Earnings Per Share based on weighted average number of ordinary shares in issue (sen)	**(0.99)**	**(12.10)**

The weighted average number of ordinary shares used in the denominator in calculating basic earnings per share was determined as follows:

	Individual Current Quarter 30.09.18 '000	9 Months Cumulative To Date 30.09.18 '000
Number of ordinary shares at beginning of the period	348,131	348,131
Effect of shares issued pursuant to exercise of warrants	13	2
Weighted average number of ordinary shares	348,144	348,133

(b) Diluted Earnings per share

The diluted earnings per share had been calculated by dividing the Group's profit for the period attributable to the equity holders of the Company by the weighted average number of shares that would have been in issue upon full exercise of the remaining options under the warrants, adjusted for the number of such shares that would have been issued at fair value, calculated as follows:

	Individual Current Quarter 30.09.18	9 Months Cumulative To Date 30.09.18
Loss for the period attributable to ordinary equity holders of the Company (RM'000)	(3,463)	(42,126)
Weighted average number of ordinary shares in issue ('000)	350,310	357,375
Diluted Earnings Per Share based on weighted average number of ordinary shares in issue (sen)	**(0.99)**	**(11.79)**

The weighted average number of ordinary shares used in the denominator in calculating diluted earnings per share was determined as follows:

	Individual Current Quarter 30.09.18 '000	9 Months Cumulative To Date 30.09.18 '000
Weighted average number of ordinary shares as per basic earnings per share	348,144	348,133
Effect of potential exercise of warrants	2,166	9,242
Weighted average number of ordinary shares	**350,310**	**357,375**

B14. Provision of Financial Assistance

There has been no additional financial assistance provided pursuant to Paragraph 8.23 of the Main Market Listing Requirement during the current quarter.

B15. Reviews By External Auditors

The Board had engaged the external auditors to review and report on the condensed consolidated financial statements of Tek Seng Holdings Bhd. for the third quarter ended 30 September 2018 in accordance with International Standard on Review Engagements 2410 (ISRE2410),“Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

The external auditors reported to the Board that nothing has come to their attention that causes them to believe that the said condensed consolidated financial statements were not presented fairly, in all material respects, in accordance with MFRS134 : Interim Financial Reporting in Malaysia. The report was made to the Board in accordance to the terms of reference with the external auditors and for no other purpose.

By order of the Board

TEK SENG HOLDINGS BERHAD

LOH KOK BENG
EXECUTIVE CHAIRMAN

Dated : 23 November 2018