



德成控股有限公司

TEK SENG HOLDINGS BERHAD 200201011909
(579572-M)**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

	(Unaudited)	(Audited)
	As At	As At
	30.09.19	31.12.18
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	216,838	238,255
Right of use assets	526	0
	<u>217,364</u>	<u>238,255</u>
Current assets		
Inventories	31,120	40,096
Trade receivables	15,842	23,294
Other receivables, deposits and prepayments	2,036	2,590
Current tax assets	1,697	249
Cash and bank balances	40,084	4,255
	<u>90,779</u>	<u>70,484</u>
TOTAL ASSETS	<u>308,143</u>	<u>308,739</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	111,884	111,871
Retained earnings	88,733	92,051
	<u>200,617</u>	<u>203,922</u>
Non-controlling interests	62,210	73,848
Total equity	<u>262,827</u>	<u>277,770</u>
LIABILITIES		
Non-current liabilities		
Borrowings	20,000	0
Lease liabilities	354	0
Deferred tax liabilities	4,490	4,613
Other payables	0	381
	<u>24,844</u>	<u>4,994</u>
Current liabilities		
Trade payables	8,424	4,773
Other payables	11,039	20,784
Lease liabilities	191	0
Current tax liabilities	818	418
	<u>20,472</u>	<u>25,975</u>
Total liabilities	<u>45,316</u>	<u>30,969</u>
TOTAL EQUITY AND LIABILITIES	<u>308,143</u>	<u>308,739</u>
Net Assets per Share (RM)	0.58	0.59
Net Assets (RM'000)	200,617	203,922

(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 2018)



UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE-MONTHS ENDED 30 SEPTEMBER 2019

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	30.09.19 RM'000	30.09.18 RM'000	30.09.19 RM'000	30.09.18 RM'000
Revenue	39,955	43,450	130,145	148,365
Cost of sales	(38,331)	(46,857)	(119,591)	(156,962)
Gross profit / (loss)	<u>1,624</u>	<u>(3,407)</u>	<u>10,554</u>	<u>(8,597)</u>
Other operating income	3,314	763	8,222	2,212
Operating expenses	(5,213)	(5,154)	(30,657)	(90,905)
Finance costs	(217)	(26)	(277)	(46)
Loss before tax	<u>(492)</u>	<u>(7,824)</u>	<u>(12,158)</u>	<u>(97,336)</u>
Taxation	(555)	(1,264)	(2,798)	4,947
Loss for the period	<u>(1,047)</u>	<u>(9,088)</u>	<u>(14,956)</u>	<u>(92,389)</u>
Other comprehensive income, net of tax	0	0	0	0
Total comprehensive loss for the period	<u><u>(1,047)</u></u>	<u><u>(9,088)</u></u>	<u><u>(14,956)</u></u>	<u><u>(92,389)</u></u>
Profit / (Loss) for the period attributable to:				
- Owners of the parent	191	(3,463)	(3,318)	(42,126)
- Non-controlling interests	<u>(1,238)</u>	<u>(5,625)</u>	<u>(11,638)</u>	<u>(50,263)</u>
Total comprehensive income / (loss) for the period attributable to:				
- Owners of the parent	191	(3,463)	(3,318)	(42,126)
- Non-controlling interests	<u>(1,238)</u>	<u>(5,625)</u>	<u>(11,638)</u>	<u>(50,263)</u>
Earnings / (Loss) per share attributable to owners of the parent:				
Basic earnings / (loss) per share (sen)	<u>0.05</u>	<u>(0.99)</u>	<u>(0.95)</u>	<u>(12.10)</u>
Diluted earnings / (loss) per share (sen)	<u>*</u>	<u>(0.99)</u>	<u>*</u>	<u>(11.79)</u>

Note:

*Diluted earnings per ordinary share equal basic earnings per share.

(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 2018)



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTHS ENDED 30 SEPTEMBER 2019

	Share Capital RM'000	<u>Distributable</u> Retained Earnings RM'000	<u>Total</u> Attributable To Owners of The Parent RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
At 1 January 2018, as previously reported	111,868	144,425	256,293	132,085	388,378
Adjustment on initial application of MFRS 9	0	(202)	(202)	0	(202)
At 1 January 2018, as restated	111,868	144,223	256,091	132,085	388,176
Loss for the financial period	0	(42,126)	(42,126)	(50,263)	(92,389)
Other comprehensive income, net of tax	0	0	0	0	0
Total comprehensive loss for the period	0	(42,126)	(42,126)	(50,263)	(92,389)
Transactions with owners					
Issuance of ordinary shares - exercise of warrants	3	0	3	0	3
Dividend	0	(3,481)	(3,481)	0	(3,481)
Total transactions with owners	3	(3,481)	(3,478)	0	(3,478)
At 30 September 2018	111,871	98,616	210,487	81,822	292,309
At 1 January 2019	111,871	92,051	203,922	73,848	277,770
Loss for the financial period	0	(3,318)	(3,318)	(11,638)	(14,956)
Other comprehensive income, net of tax	0	0	0	0	0
Total comprehensive loss for the period	0	(3,318)	(3,318)	(11,638)	(14,956)
Transactions with owners					
Issuance of ordinary shares - exercise of warrants	13	0	13	0	13
Total transactions with owners	13	0	13	0	13
At 30 September 2019	111,884	88,733	200,617	62,210	262,827

(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 2018)



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTHS ENDED 30 SEPTEMBER 2019

	9 months ended	
	30.09.19	30.09.18
	RM'000	RM'000
Cash flows from operating activities		
Loss before tax	(12,158)	(97,336)
Adjustments for :		
Reversal of impairment losses on receivables	(98)	0
Impairment losses on receivables	0	559
Depreciation	10,422	19,823
Amortisation of right of use asset	45	0
Interest expense	277	46
Interest income	(369)	(17)
Inventories written back	(301)	0
Unrealised (gain) / loss on foreign exchange	(27)	80
Impairment loss on property, plant and equipment	13,966	74,447
Gain on disposal of property, plant and equipment	(40)	(1)
Operating profit / (loss) before working capital changes	11,717	(2,399)
Decrease in inventories	9,277	6,694
Decrease / (Increase) in trade and other receivables	8,171	(5,578)
(Decrease) / Increase in trade and other payables	(6,480)	4,943
Cash generated from operations	22,685	3,660
Interest paid	(277)	(46)
Interest received	369	17
Tax paid	(3,969)	(5,234)
Net cash from / (used in) operating activities	18,808	(1,603)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	81	30
Purchase of property, plant and equipment	(3,012)	(1,457)
Net cash used in investing activities	(2,931)	(1,427)
Cash flows from financing activities		
Dividend paid	0	(3,481)
Proceeds from short term bank borrowings	0	5,742
Repayments of short term bank borrowings	0	(5,742)
Drawdown of term loans	20,000	0
Repayments of lease liabilities	(26)	0
Proceeds from issuance of shares pursuant to exercise of warrants	13	3
Net cash from / (used in) financing activities	19,987	(3,478)
Net increase / (decrease) in cash and cash equivalents	35,864	(6,508)
Effect of exchange rate changes on cash and cash equivalents	(35)	(327)
Cash and cash equivalents at beginning of the financial period	4,255	10,301
Cash and cash equivalents at end of the financial period	40,084	3,466

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

	As at	As at
	30.09.19	30.09.18
	RM'000	RM'000
Cash and bank balances	40,084	3,466
	<u>40,084</u>	<u>3,466</u>

(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 2018)



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 2018.

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 2018.

The Group had adopted the following Amendments to Standards, with a date of initial application of 1 January 2019.

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 119 *Plan Amendment, Curtailment or Settlement*

Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015-2017 Cycle*

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:

Amendments to *References to the Conceptual Framework in MFRS Standards*

Amendments to MFRS 3 *Definition of a Business*

Amendments to MFRS 101 and MFRS 108 *Definition of Material*

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 MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*

A2. Auditors' Report

The auditors' report on the financial statements for the financial year ended 31 December 2018 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 will be peaks before the major festivals such as Hari Raya, Christmas day, New Year and Chinese New Year.

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 on property, plant and equipment. An impairment loss of RM13,966,018 has been recognised in the profit or loss. The recoverable amounts were based on fair value less cost to sell method. The fair value less cost to sell was determined based on Directors' estimation by reference to independent supplier's valuation, estimated based on depreciated replacement method.

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 50,000 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 RM12,500.

A7. Dividend paid

There was no dividend paid during the current quarter.

A8. Other Operating Income

	Current Quarter 30.09.2019 RM'000	9 months Cumulative 30.09.2019 RM'000
Interest income	238	369
Gain on disposal of property, plant and equipment	10	40
Income from sale of solar energy	427	1,239
Foreign exchange (loss) /gain	(48)	62
Rental income	880	1,672
Other income	1,807	4,840
Total other operating income	<u>3,314</u>	<u>8,222</u>



NOTES TO THE INTERIM FINANCIAL REPORT

A9. Operating Expenses

	Current Quarter 30.09.2019 RM'000	9 months Cumulative 30.09.2019 RM'000
Depreciation	318	935
Rental	28	40
Salaries, allowances and bonus	2,112	6,276
Transportation	1,430	4,302
Water and electricity	22	64
General repairs and maintenance	182	588
Impairment of property, plant and equipment*	0	13,966
Amortisation of right of use asset	45	45
Others	1,076	4,441
Total operating expenses	<u>5,213</u>	<u>30,657</u>

*The Group has carried out impairment review on property, plant and equipment. An impairment loss of RM13,966,018 has been recognised in the profit or loss. The recoverable amounts were based on fair value less cost to sell method. The fair value less cost to sell was determined based on Directors' estimation by reference to independent supplier's valuation, estimated based on depreciated replacement method.

A10. Finance costs

	Current Quarter 30.09.2019 RM'000	9 months Cumulative 30.09.2019 RM'000
Interest on term loan	209	265
Interest on lease liabilities	6	6
Others	2	6
Total finance costs	<u>217</u>	<u>277</u>

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.

	PVC RM'000	Solar RM'000	Group RM'000
1 July 2019 to 30 September 2019			
Revenue			
Total revenue	48,830	24	48,854
Elimination	(8,899)	0	(8,899)
Revenue from external customers	<u>39,931</u>	<u>24</u>	<u>39,955</u>
Results			
Segment results	698	(4,287)	(3,589)
Other operating income	1,327	1,987	3,314
Finance costs	(8)	(209)	(217)
Profit / (Loss) before tax	2,017	(2,509)	(492)
Income tax expense	(555)	0	(555)
Profit / (Loss) for the period	<u>1,462</u>	<u>(2,509)</u>	<u>(1,047)</u>
1 July 2018 to 30 September 2018			
Revenue			
Total revenue	50,193	3,342	53,535
Elimination	(10,085)	0	(10,085)
Revenue from external customers	<u>40,108</u>	<u>3,342</u>	<u>43,450</u>
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	<u>2,325</u>	<u>(11,413)</u>	<u>(9,088)</u>



NOTES TO THE INTERIM FINANCIAL REPORT

A11. Segmental Reporting (continued)

	<u>PVC</u> RM'000	<u>Solar</u> RM'000	<u>Group</u> RM'000
1 January 2019 to 30 September 2019			
Revenue			
Total revenue	155,646	3,655	159,301
Elimination	(29,156)	0	(29,156)
Revenue from external customers	<u>126,490</u>	<u>3,655</u>	<u>130,145</u>
Results			
Segment results	6,771	(26,874)	(20,103)
Other operating income	4,264	3,958	8,222
Finance costs	(12)	(265)	(277)
Profit / (Loss) before tax	<u>11,023</u>	<u>(23,181)</u>	<u>(12,158)</u>
Income tax expense	(2,798)	0	(2,798)
Profit / (Loss) for the period	<u>8,225</u>	<u>(23,181)</u>	<u>(14,956)</u>
Assets	<u>138,541</u>	<u>169,602</u>	<u>308,143</u>
Liabilities	<u>21,785</u>	<u>23,531</u>	<u>45,316</u>
1 January 2018 to 30 September 2018			
Revenue			
Total revenue	157,094	12,673	169,767
Elimination	(21,402)	0	(21,402)
Revenue from external customers	<u>135,692</u>	<u>12,673</u>	<u>148,365</u>
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	<u>13,231</u>	<u>(110,567)</u>	<u>(97,336)</u>
Income tax expense	(3,667)	8,614	4,947
Profit / (Loss) for the period	<u>9,564</u>	<u>(101,953)</u>	<u>(92,389)</u>
Assets	<u>122,398</u>	<u>212,830</u>	<u>335,228</u>
Liabilities	<u>38,962</u>	<u>3,957</u>	<u>42,919</u>

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 2018.

A13. Subsequent Events

There were no material events between the end of the reporting quarter and the date of this announcement.

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

	30.09.2019 RM'000
Secured corporate guarantees given to licensed banks for facilities granted to subsidiaries	56,423
Unsecured corporate guarantees given to suppliers of subsidiaries	4,187
	<u>60,610</u>

A16. Capital Commitments

There were no material capital commitments in respect of property, plant and equipment for in the interim financial statements as at 30 September 2019.



NOTES TO THE INTERIM FINANCIAL REPORT

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 + / -	
	30.09.19 RM'000	30.09.18 RM'000			30.09.19 RM'000	30.09.18 RM'000		
			RM'000	%			RM'000	%
Revenue	39,955	43,450	(3,495)	(8.04)	130,145	148,365	(18,220)	(12.28)
Gross profit / (loss)	1,624	(3,407)	5,031	147.67	10,554	(8,597)	19,151	222.76
Loss before interest and tax	(513)	(7,804)	7,291	93.43	(12,250)	(97,307)	85,057	87.41
Loss before tax	(492)	(7,824)	7,332	93.71	(12,158)	(97,336)	85,178	87.51
Loss for the period	(1,047)	(9,088)	8,041	88.48	(14,956)	(92,389)	77,433	83.81
Profit / (Loss) attributable to ordinary equity holders of the parent	191	(3,463)	3,654	105.52	(3,318)	(42,126)	38,808	92.12

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

For the period ended 30 September 2019, the Group recorded a revenue of RM130.1 million while loss before tax was recorded at RM12.2 million. The major contributor of the Group's revenue was from PVC segment, which contributed approximately 97.2% for the period ended 30 September 2019. When compared to corresponding period of 30 September 2018, the revenue has decreased by RM18.2 million and the Group's loss before tax has decreased by RM85.1 million. This was mainly due to lower impairment loss of property, plant and equipment recorded by the Solar segment.

Performance of the respective operating business segments for the period ended 30 September 2019 as compared to the previous year corresponding period is analysed as follows:-

- 1) PVC - A decrease in profit before tax by RM2.2 million from RM13.2 million to RM11 million was mainly due to lower revenue.
- 2) Solar - The decrease in loss before tax by RM87.4 million from RM110.6 million to RM23.2 million was mainly due to lower impairment loss of property, plant and equipment.

b) Current Quarter vs. Previous Year Corresponding Quarter

For the current quarter, the Group recorded a revenue of RM39.9 million while loss before tax was recorded at RM0.5 million. When compared to corresponding quarter of 30 September 2018, the revenue has decreased by RM3.5 million but the Group's loss before tax has decreased by RM7.3 million as a result of lower production overhead and higher other income recorded by the Solar segment.

Performance of the respective operating business segments for the current quarter as compared to the previous year corresponding quarter is analysed as follows:-

- 1) PVC - The decrease in profit before tax by RM1.6 million from RM3.6 million to RM2 million was mainly due to lower revenue.
- 2) Solar - The decrease in loss before tax by RM8.9 million from RM11.4 million to RM2.5 million was mainly due to lower production overhead and higher other income.

B2. Variation of Results Against Preceding Quarter

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

	Current Quarter 01.07.19-30.09.19	Preceding Quarter 01.04.19-30.06.19	Changes	
	RM'000	RM'000	RM'000	%
Revenue	39,955	46,116	(6,161)	(13.36)
Gross profit	1,624	6,729	(5,105)	(75.87)
Loss before interest and tax	(513)	(11,133)	10,620	(95.39)
Loss before tax	(492)	(11,082)	10,590	(95.56)
Total comprehensive loss for the period	(1,047)	(12,636)	11,589	(91.71)
Profit/(Loss) attributable to ordinary equity holders of the parent	191	(3,985)	4,176	(104.79)

The Group recorded lower revenue of RM39.9 million in the current quarter, representing 13.4% decrease from RM46.1 million in the preceding quarter due to lower revenue contributed by the PVC segments after major festival such as Hari Raya.

The Group's loss before tax for the current quarter is RM0.5 million which has decreased by RM10.6 million from RM11.1 million as recorded in the preceding quarter. This was mainly due to impairment loss of property, plant and equipment by Solar segment.

B3. Prospects

The Board of Directors foresees the performance of the Group for 2019 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 fluctuation in foreign currency. 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 as well as monitoring financial aspect more closely. The Group will also look into exploring new market share globally.

As for solar segment, one of the factory buildings of TS Solartech Sdn. Bhd. has been rented out and the Company continues to generate income from solar energy arising from the solar panel installed.

B4. Variance of Actual and Forecast Revenue

Not applicable.



NOTES TO THE INTERIM FINANCIAL REPORT

B5. Income Tax Expense

	Current Quarter 30.09.19 RM'000	9 months Cumulative 30.09.19 RM'000
Current tax expense		
- current	507	2,865
- prior years	56	56
Deferred tax expense		
- Origination and reversal of temporary differences	(8)	(123)
Total tax expense	<u>555</u>	<u>2,798</u>

The Group's effective tax rate for the current period differs from the statutory tax rate 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.

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 30.09.2019 RM'000	At end of previous financial year 31.12.2018 RM'000
Trade receivables	17,060	24,610
Less : Impairment loss	<u>(1,218)</u>	<u>(1,316)</u>
	<u>15,842</u>	<u>23,294</u>

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 30.09.2019 RM'000	At end of previous financial year 31.12.2018 RM'000
Neither past due nor impaired	6,401	13,852
Past due, but not impaired		
1 to 30 days	6,593	7,385
31 to 60 days	2,237	1,406
61 to 90 days	541	1,257
More than 91 days	<u>1,288</u>	<u>710</u>
	10,659	10,758
	<u>17,060</u>	<u>24,610</u>
Impaired	<u>(1,218)</u>	<u>(1,316)</u>
	<u>15,842</u>	<u>23,294</u>

b) The Group assesses the impairment on trade receivable based on expected credit loss ("ECL") model.

B9. Related party disclosures

i) Identity of related party

- The Company has controlling related party relationship with its direct subsidiaries.

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

	30.09.2019 RM'000	31.12.2018 RM'000
Shareholder of a subsidiary:		
Purchase of goods	0	13
Sale of goods	<u>0</u>	<u>1,988</u>

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 has resulted in transmission 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's borrowings as at the end of the reporting quarter were as follows:

	As at 30.09.2019		
	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Term loans	0	20,000	20,000
	<u>0</u>	<u>20,000</u>	<u>20,000</u>
Unsecured			
	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>



NOTES TO THE INTERIM FINANCIAL REPORT

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

On 16 May 2019, the Company announced that TSST (or “Defendant”), had been served with a Sealed Originating Summons dated 3 May 2019 and original copy of United Renewable Energy Co., Ltd.’s (“Plaintiff”) Affidavit in Support affirmed by Timothy Haosen Wan on 8 May 2019; a copy of the “Notis untuk Menghadiri Pengurusan Kes”; and an original copy of Plaintiff’s Supplementary Affidavit affirmed by Eddie Chih Wei Chan on 7 May 2019 through a firm of lawyers acting on behalf of the Plaintiff.

The Plaintiff had applied for the following orders and/or reliefs:

- 1) a declaration that the merger between Neo Solar Power Energy Corp., Solartech Energy Corp. and Gintech Energy Corporation on 1 October 2018 had carried into effect a transmission of the 97,700,693 ordinary shares in the Defendant (“Company”) currently held in the name of Solartech Energy Corp. (“TS Shares”) to the Plaintiff by operation of law;
- 2) an Order that the Company shall rectify its register of members within thirty (30) days from the service of this Order by the deletion of the name of Solartech Energy Corp. and the insertion of the name of the Plaintiff as the registered owner of the ownership of the TS Shares with effective date of 1 October 2018;
- 3) an Order that the Company shall cancel the share certificate in the name of Solartech Energy Corp. in respect of the TS Shares, and issue and deliver a new share certificate in the name of the Plaintiff in respect of the TS Shares within 30 days from the service of this Order;
- 4) an Order that the Plaintiff be given liberty to apply, including liberty to apply for any further directions on service or consequential relief;
- 5) costs of this application to be borne by the Company; and/or.
- 6) such further and/or other relief as the Honourable Court deems fit.

That the matter has been fixed for Case Management at the Kuala Lumpur High Court on 17 May 2019.

Further to the Announcement, the Company was informed that the Court has fixed the Hearing date on 05 August 2019.

The case will not have any financial or operational impact on Group. However, TSST is exposed to the legal expenses as TSST will be appointing a firm of lawyers to act on its behalf.

Further to the Announcements, the Board of Tek Seng wishes to inform that the movement of shares from Solartech Energy Corp. to URE is regarded as a “transmission” and there is no order as to costs on the announcement dated on 07 August 2019.

B13. Earnings 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 30.09.19	9 Months Cumulative To Date 30.09.19
Profit / (Loss) for the period attributable to ordinary equity holders of the Company (RM’000)	191	(3,318)
Weighted average number of ordinary shares in issue (’000)	348,194	348,155
Basic Earnings / (Loss) Per Share based on weighted average number of ordinary shares in issue (sen)	0.05	(0.95)

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

	Individual Current Quarter 30.09.19 ’000	9 Months Cumulative To Date 30.09.19 ’000
Number of ordinary shares at beginning of the period	348,144	348,144
Effect of shares issued pursuant to exercise of warrants	50	11
Weighted average number of ordinary shares	348,194	348,155

(b) Diluted Earnings Per Share

The diluted per share equals the basic loss per share due to the anti-dilutive effect of the Warrants which has been ignored in calculating the diluted loss per share.

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.



NOTES TO THE INTERIM FINANCIAL REPORT

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 2019 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 : 15 November 2019