



德成控股有限公司

TEK SENG HOLDINGS BERHAD 200201011909
(579572-M)**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	(Unaudited)	(Audited)
	As At	As At
	31.03.20	31.12.19
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	104,843	106,165
Right-of-use assets	8,313	8,405
Investment properties	70,870	71,251
	<u>184,026</u>	<u>185,821</u>
Current assets		
Inventories	31,470	31,968
Trade receivables	22,382	23,425
Other receivables, deposits and prepayments	2,357	2,505
Current tax assets	93	416
Cash and bank balances	47,065	36,090
	<u>103,367</u>	<u>94,404</u>
TOTAL ASSETS	<u>287,393</u>	<u>280,225</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	115,002	112,137
Retained earnings	79,054	74,443
	<u>194,056</u>	<u>186,580</u>
Non-controlling interests	43,713	43,858
Total equity	<u>237,769</u>	<u>230,438</u>
LIABILITIES		
Non-current liabilities		
Borrowings	19,970	19,970
Lease liabilities	254	307
Deferred tax liabilities	4,465	4,456
	<u>24,689</u>	<u>24,733</u>
Current liabilities		
Trade payables	4,592	5,940
Other payables	19,193	18,323
Lease liabilities	197	191
Current tax liabilities	953	600
	<u>24,935</u>	<u>25,054</u>
Total liabilities	<u>49,624</u>	<u>49,787</u>
TOTAL EQUITY AND LIABILITIES	<u>287,393</u>	<u>280,225</u>
Net Assets per Share (RM)	0.54	0.54
Net Assets (RM'000)	194,056	186,580

(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 2019)



UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTHS ENDED 31 MARCH 2020

	Current Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.03.20	31.03.19	31.03.20	31.03.19
	RM'000	RM'000	RM'000	RM'000
Revenue	52,005	44,071	52,005	44,071
Cost of sales	(42,583)	(41,870)	(42,583)	(41,870)
Gross profit	<u>9,422</u>	<u>2,201</u>	<u>9,422</u>	<u>2,201</u>
Other operating income	3,416	1,942	3,416	1,942
Operating expenses	(6,661)	(4,726)	(6,661)	(4,726)
Finance costs	(185)	(1)	(185)	(1)
Profit / (Loss) before tax	<u>5,992</u>	<u>(584)</u>	<u>5,992</u>	<u>(584)</u>
Tax expense	(1,526)	(689)	(1,526)	(689)
Profit / (Loss) for the period	<u>4,466</u>	<u>(1,273)</u>	<u>4,466</u>	<u>(1,273)</u>
Other comprehensive income, net of tax	0	0	0	0
Total comprehensive income / (loss) for the period	<u>4,466</u>	<u>(1,273)</u>	<u>4,466</u>	<u>(1,273)</u>
Profit / (Loss) for the period attributable to:				
- Owners of the parent	4,611	476	4,611	476
- Non-controlling interests	<u>(145)</u>	<u>(1,749)</u>	<u>(145)</u>	<u>(1,749)</u>
Total comprehensive income / (loss) for the period attributable to:				
- Owners of the parent	4,611	476	4,611	476
- Non-controlling interests	<u>(145)</u>	<u>(1,749)</u>	<u>(145)</u>	<u>(1,749)</u>
Earnings per ordinary share attributable equity holders of the Company:				
Basic and diluted earnings per share (sen)	<u>1.29</u>	<u>0.14</u>	<u>1.29</u>	<u>0.14</u>

(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 2019)



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE THREE-MONTHS ENDED 31 MARCH 2020**

	Share Capital RM'000	Distributable 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 2019	111,871	92,051	203,922	73,848	277,770
Profit / (Loss) for the financial period	0	476	476	(1,749)	(1,273)
Other comprehensive income, net of tax	0	0	0	0	0
Total comprehensive income / (loss) for the period	0	476	476	(1,749)	(1,273)
At 31 March 2019	111,871	92,527	204,398	72,099	276,497
At 1 January 2020	112,137	74,443	186,580	43,858	230,438
Profit / (Loss) for the financial period	0	4,611	4,611	(145)	4,466
Other comprehensive income, net of tax	0	0	0	0	0
Total comprehensive income / (loss) for the period	0	4,611	4,611	(145)	4,466
Transaction with owners					
Issuance of ordinary shares - exercise of warrants	2,865	0	2,865	0	2,865
Total transaction with owners	2,865	0	2,865	0	2,865
At 31 March 2020	115,002	79,054	194,056	43,713	237,769

(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 2019)



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTHS ENDED 31 MARCH 2020

	3 months ended	
	31.03.20	31.03.19
	RM'000	RM'000
Cash flows from operating activities		
Profit / (Loss) before tax	5,992	(584)
Adjustments for :		
Reversal of impairment losses on receivables	0	(108)
Impairment losses on receivables	29	0
Depreciation of property, plant and equipment	1,478	3,716
Depreciation of investment properties	381	0
Depreciation of right-of-use assets	92	0
Interest expense	185	1
Interest income	(262)	(21)
Reversal of inventories written down	0	(169)
Net unrealised gain on foreign exchange	(53)	(2)
Gain on disposal of property, plant and equipment	0	(30)
Operating profit before working capital changes	7,842	2,803
Decrease in inventories	498	13,364
Decrease in trade and other receivables	984	7,986
Decrease in trade and other payables	(552)	(9,261)
Cash generated from operations	8,772	14,892
Interest paid	(3)	(1)
Interest received	262	21
Tax paid	(841)	(1,368)
Net cash from operating activities	8,190	13,544
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	0	71
Purchase of property, plant and equipment	(156)	(1,052)
Net cash used in investing activities	(156)	(981)
Cash flows from financing activities		
Repayments of term loans	(176)	0
Repayments of lease liabilities	(53)	0
Proceeds from issuance of shares pursuant to exercise of warrants	2,865	0
Net cash from financing activities	2,636	0
Net increase in cash and cash equivalents	10,670	12,563
Effect of exchange rate changes on cash and cash equivalents	305	(56)
Cash and cash equivalents at beginning of the financial period	36,090	4,255
Cash and cash equivalents at end of the financial period	47,065	16,762



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(579572-M)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTHS ENDED 31 MARCH 2020 (Continued)**

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

	As at 31.03.20 RM'000	As at 31.03.19 RM'000
Cash and bank balances	<u>47,065</u>	<u>16,762</u>
	<u>47,065</u>	<u>16,762</u>

Reconciliation of liabilities arising from financing activities

	Lease liabilities RM'000	Term loans RM'000
At 1 January 2020	498	19,970
Cash flows - repayments	(53)	(176)
Non-cash flows - unwinding of interest	6	176
At 31 March 2020	<u>451</u>	<u>19,970</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 2019)



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 2019.

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 2019.

The Group had adopted the following Amendments to Standards, with a date of initial application of 1 January 2020.

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

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 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 101 *Classification of Liabilities as Current or Non-current*

A2. Auditors' Report

The auditors' report on the financial statements for the financial year ended 31 December 2019 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.

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 11,458,275 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 RM2,864,569.

On 30 January 2020, Tek Seng warrants had expired and removed from the official list of Bursa Securities.

A7. Dividend paid

There was no dividend paid during the current quarter.

A8. Other Operating Income

	Current Quarter 31.03.2020 RM'000	3 months Cumulative 31.03.2020 RM'000
Interest income	262	262
Income from sale of solar energy	557	557
Foreign exchange gain	296	296
Rental income	880	880
Other income	1,421	1,421
Total other operating income	<u>3,416</u>	<u>3,416</u>



NOTES TO THE INTERIM FINANCIAL REPORT

A9. Operating Expenses

	Current Quarter 31.03.2020 RM'000	3 months Cumulative 31.03.2020 RM'000
Depreciation of property, plant and equipment	362	362
Depreciation of investment properties	381	381
Salaries, allowances and bonus	2,184	2,184
Transportation	2,434	2,434
Water and electricity	21	21
General repairs and maintenance	193	193
Depreciation of right-of-use assets	57	57
Others	1,029	1,029
Total operating expenses	<u>6,661</u>	<u>6,661</u>

A10. Finance costs

	Current Quarter 31.03.2020 RM'000	3 months Cumulative 31.03.2020 RM'000
Interest on term loans	176	176
Interest on lease liabilities	6	6
Others	3	3
Total finance costs	<u>185</u>	<u>185</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, PP Transparent and Translucent Sheet, 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 January 2020 to 31 March 2020			
Revenue			
Total revenue	61,348	0	61,348
Elimination	(9,343)	0	(9,343)
Revenue from external customers	<u>52,005</u>	<u>0</u>	<u>52,005</u>
Results			
Segment results	4,505	(1,744)	2,761
Other operating income	1,808	1,608	3,416
Finance costs	(9)	(176)	(185)
Profit / (Loss) before tax	6,304	(312)	5,992
Income tax expense	(1,526)	0	(1,526)
Profit / (Loss) for the period	<u>4,778</u>	<u>(312)</u>	<u>4,466</u>
Assets	<u>150,798</u>	<u>136,595</u>	<u>287,393</u>
Liabilities	<u>26,197</u>	<u>23,427</u>	<u>49,624</u>
1 January 2019 to 31 March 2019			
Revenue			
Total revenue	48,681	3,631	52,312
Elimination	(8,238)	(3)	(8,241)
Revenue from external customers	<u>40,443</u>	<u>3,628</u>	<u>44,071</u>
Results			
Segment results	1,672	(4,197)	(2,525)
Other operating income	1,292	650	1,942
Finance costs	(1)	0	(1)
Profit / (Loss) before tax	2,963	(3,547)	(584)
Income tax expense	(689)	0	(689)
Profit / (Loss) for the period	<u>2,274</u>	<u>(3,547)</u>	<u>(1,273)</u>
Assets	<u>110,318</u>	<u>187,887</u>	<u>298,205</u>
Liabilities	<u>19,113</u>	<u>2,595</u>	<u>21,708</u>



NOTES TO THE INTERIM FINANCIAL REPORT

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 2019.

A13. Subsequent Events

The management put in views that Covid-19 may impact the overall business operations of TSHB. As Malaysia entered into Movement Control Order, the operation was mainly affected by fluctuation in the price of raw materials. Moving forward, the Group will focus on producing PP Non Woven materials to cater for medical appliances.

The management has allocated RM20 million for capital expenditure for PP Non Woven segment.

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

Secured corporate guarantees given to licensed banks for facilities granted to subsidiaries
Unsecured corporate guarantees given to suppliers of subsidiaries

31.03.2020
RM'000
38,210
4,302
<u>42,512</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 31 March 2020.

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 period to date

	Current Quarter 3 months ended		Changes + / -		Cumulative Quarter 3 months ended		Changes + / -	
	31.03.20	31.03.19			31.03.20	31.03.19		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	52,005	44,071	7,934	18.00	52,005	44,071	7,934	18.00
Gross profit	9,422	2,201	7,221	328.08	9,422	2,201	7,221	328.08
Profit / (Loss) before interest and tax	5,915	(604)	6,519	1,079.30	5,915	(604)	6,519	1,079.30
Profit / (Loss) before tax	5,992	(584)	6,576	1,126.03	5,992	(584)	6,576	1,126.03
Profit / (Loss) for the period	4,466	(1,273)	5,739	450.82	4,466	(1,273)	5,739	450.82
Profit attributable to owners of the parent	4,611	476	4,135	868.70	4,611	476	4,135	868.70

Current Quarter vs. Previous Year Corresponding Quarter

For the current quarter, the Group recorded a revenue of RM52 million while profit before tax was recorded at RM6.0 million. When compared to corresponding quarter of 31 March 2019, the revenue was recorded at RM44.1 million while loss before tax was recorded at RM0.6 million. This was mainly due to higher revenue recorded by the PVC segment and higher other operating income.

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 increase in profit before tax by RM3.3 million from RM3.0 million to RM6.3 million was mainly due to higher revenue.
- 2) Solar - The decrease in loss before tax by RM3.2 million from RM3.5 million to RM0.3 million was mainly due to higher other operating income and lower depreciation.

B2. Variation of Results Against Preceding Quarter

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

	Current Quarter 01.01.20-31.03.20	Preceding Quarter 01.10.19-31.12.19	Changes	
	RM'000	RM'000	RM'000	%
Revenue	52,005	42,458	9,547	22.49
Gross profit	9,422	6,202	3,220	51.92
Profit / (Loss) before interest and tax	5,915	(26,592)	32,507	122.24
Profit / (Loss) before tax	5,992	(26,531)	32,523	122.58
Profit / (Loss) for the period	4,466	(27,770)	32,236	116.08
Profit / (Loss) attributable to owners of the parent	4,611	(12,935)	17,546	135.65

The Group revenue increased by RM9.5 million in the current quarter, representing 22.5% increase from RM42.5 million in the preceding quarter due to higher revenue contributed by the PVC segments.

The Group's profit before tax for the current quarter is RM6.0 million compared to loss before tax RM26.5 million as recorded in the preceding quarter. This was mainly due to impairment loss of property, plant and equipment by Solar segment in fourth quarter of 2019 and lower production overhead.



NOTES TO THE INTERIM FINANCIAL REPORT

B3. Prospects

The Board of Directors foresees the performance of the Group for 2020 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 due to COVID-19 pandemic 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.

B5. Income Tax Expense

	Current Quarter 31.03.20 RM'000	3 months Cumulative 31.03.20 RM'000
Current tax expense		
- current	1,517	1,517
Deferred tax expense		
- Origination and reversal of temporary differences	9	9
Total tax expense	<u>1,526</u>	<u>1,526</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 31.03.2020 RM'000	At end of previous financial year 31.12.2019 RM'000
Trade receivables	23,372	24,386
Less : Impairment losses	(990)	(961)
	<u>22,382</u>	<u>23,425</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 31.03.2020 RM'000	At end of previous financial year 31.12.2019 RM'000
Neither past due nor impaired	15,133	14,068
Past due, but not impaired		
1 to 30 days	5,017	6,630
31 to 60 days	1,846	1,903
61 to 90 days	534	1,004
More than 91 days	842	781
	<u>8,239</u>	<u>10,318</u>
Impaired	23,372	24,386
	(990)	(961)
	<u>22,382</u>	<u>23,425</u>

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

B9. Related party disclosures

i) Identity of related party

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

ii) The Group had no transaction with related party during the financial period.



NOTES TO THE INTERIM FINANCIAL REPORT

B10. Group Borrowings

The Group's borrowings as at the end of the reporting quarter were as follows:

	As at 31.03.2020		
	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Term loans	0	19,970	19,970
	<u>0</u>	<u>19,970</u>	<u>19,970</u>
Unsecured			
	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>

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

The Group is not engaged in any material litigation 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).

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 31.03.20	3 Months Cumulative To Date 31.03.20
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	<u>4,611</u>	<u>4,611</u>
Weighted average number of ordinary shares in issue ('000)	<u>358,450</u>	<u>358,450</u>
Basic Earnings Per Share based on weighted average number of ordinary shares in issue (sen)	<u><u>1.29</u></u>	<u><u>1.29</u></u>

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

	Individual Current Quarter 31.03.20 '000	3 Months Cumulative To Date 31.03.20 '000
Number of ordinary shares at beginning of the period	349,210	349,210
Effect of shares issued pursuant to exercise of warrants	<u>9,240</u>	<u>9,240</u>
Weighted average number of ordinary shares	<u><u>358,450</u></u>	<u><u>358,450</u></u>

(b) Diluted Earnings Per Share

The diluted earnings per share of the Group is equal to the basic earnings per share as the Group does not have any potential dilutive ordinary shares in issue.

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 first quarter ended 31 March 2020 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 : 12 June 2020