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The Board of Directors
Tomypak Holdings Berhad
PTD 109476, Jalan Cyber 4
Mukim Senai Daerah Kulai
81400 Johor Bahru
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Malaysia

22 August 2019

Dear Sirs

**Tomypak Holdings Berhad (“the Company”)
Independent Auditors’ Report on Review of Condensed Consolidated Interim
Financial Statements**

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Tomypak Holdings Berhad (“the Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2019, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with MFRS 134, *‘Interim Financial Reporting’* and IAS 34, *‘Interim Financial Reporting’*. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Tomypak Holdings Berhad
Independent Auditors' Report on Review of
Condensed Consolidated Interim Financial Statements
22 August 2019*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2019 is not prepared, in all material respects, in accordance with MFRS 134, *'Interim Financial Reporting'* and IAS 34, *'Interim Financial Reporting'*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) of the condensed consolidated interim financial statements for the period ended 30 June 2019, which indicates that the Group has prepared its condensed consolidated interim financial statements on a going concern basis, notwithstanding that the Group's current liabilities exceeded its current assets by RM11.559 million and incurred loss before tax of RM6.985 million.

As stated in Note 1(b), these conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

A handwritten signature in black ink, appearing to read 'Kau', with a long horizontal flourish extending to the right.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

| | Three months ended | | Six months ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 30.06.2019 RM '000 | 30.06.2018 RM '000 | 30.06.2019 RM '000 | 30.06.2018 RM '000 |
| Revenue | 41,060 | 30,425 | 75,448 | 82,821 |
| Operating (Loss)/ Profit | (2,599) | (3,073) | (5,190) | (1,461) |
| Finance income | 13 | 40 | 32 | 40 |
| Finance costs | (830) | (656) | (1,762) | (1,166) |
| ESOS expenses | - | - | (65) | - |
| (Loss)/ Profit before taxation | (3,416) | (3,689) | (6,985) | (2,587) |
| Tax income | 730 | 2,320 | 1,421 | 2,585 |
| (Loss)/ Profit for the period | (2,686) | (1,369) | (5,564) | (2) |
| Foreign currency translation differences for foreign operations | 2 | (5) | - | (1) |
| Total comprehensive (expense)/ income for the period | (2,684) | (1,374) | (5,564) | (3) |
| (Loss)/ Profit attributable to: | | | | |
| Owners of the Company | (2,678) | (1,367) | (5,544) | (2) |
| Non-controlling interests | (8) | (2) | (20) | - |
| (Loss)/ Profit for the period | (2,686) | (1,369) | (5,564) | (2) |
| Total comprehensive (expense)/ income attributable to:- | | | | |
| Owners of the Company | (2,677) | (1,370) | (5,544) | (2) |
| Non-controlling interests | (7) | (3) | (20) | - |
| Total comprehensive (expense)/ income for the period | (2,684) | (1,373) | (5,564) | (2) |
| Basic (loss)/ earnings per ordinary share (sen) | (0.64) | 0.33 | (1.32) | - |
| Diluted (loss)/ earnings per ordinary share (sen) | (0.64) | 0.33 | (1.32) | - |

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - UNAUDITED

| | As at 30.06.2019 RM '000 | Audited As at 31.12.2018 RM '000 |
|--|--------------------------------|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 195,219 | 202,146 |
| Deferred tax assets | 5,956 | 4,527 |
| Total non-current assets | <u>201,175</u> | <u>206,673</u> |
| Current assets | | |
| Inventories | 30,676 | 28,687 |
| Trade and other receivables | 42,946 | 41,598 |
| Contract assets | 3,228 | 3,375 |
| Tax recoverable | 6,034 | 6,031 |
| Cash and cash equivalents | 6,323 | 7,055 |
| Total current assets | <u>89,207</u> | <u>86,746</u> |
| TOTAL ASSETS | <u>290,382</u> | <u>293,419</u> |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share Capital | 109,909 | 109,883 |
| Reserves | 76,963 | 82,469 |
| Equity attributable to owners of the Company | 186,872 | 192,352 |
| Non-controlling interests | (9) | 11 |
| Total equity | <u>186,863</u> | <u>192,363</u> |
| Non-current liabilities | | |
| Loans and borrowings | 2,143 | - |
| Employee benefits | 610 | 609 |
| Total non-current liabilities | <u>2,753</u> | <u>609</u> |
| Current liabilities | | |
| Trade and other payables | 22,882 | 22,190 |
| Loans and borrowings | 77,833 | 78,206 |
| Dividends payable | 51 | 51 |
| Total current liabilities | <u>100,766</u> | <u>100,447</u> |
| Total liabilities | <u>103,519</u> | <u>101,056</u> |
| TOTAL EQUITY AND LIABILITIES | <u>290,382</u> | <u>293,419</u> |
| Net assets per share (RM) | 0.45 | 0.46 |

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.)

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TOMYPAK HOLDINGS BERHAD (Company No. 337743-W)

**UNAUDITED QUARTERLY REPORT FOR THE SECOND QUARTER ENDED
30 JUNE 2019**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

| | Attributable to owners of the Company | | | | | | | | | |
|--|---------------------------------------|--------------------------------|---------------------------|---------------------------------|---------------------------|----------------------------|------------------------------|------------------|-------------------------------------|-------------------------|
| | Non-distributable | | | | | Distributable | | | | |
| | Share capital RM '000 | Translation reserve RM '000 | Treasury share RM '000 | Share option reserve RM '000 | Merger reserve RM '000 | Warrant reserve RM '000 | Retained earnings RM '000 | Total RM '000 | Non-controlling interest RM '000 | Total equity RM '000 |
| At 1 January 2019 | 109,883 | (4) | (662) | 1,790 | 2,991 | 16,967 | 61,387 | 192,352 | 11 | 192,363 |
| Foreign currency translation differences for foreign operation (Loss)/ Profit for the period | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive expense for the period | - | - | - | - | - | - | (5,544) | (5,544) | (20) | (5,564) |
| <i>Contributions by and distributions to owners of the Company</i> | - | - | - | - | - | - | (5,544) | (5,544) | (20) | (5,564) |
| Equity settled share based transactions | - | - | - | 65 | - | - | - | 65 | - | 65 |
| - Share option granted | 20 | - | - | - | - | - | - | 20 | - | 20 |
| - Share issue pursuant to ESOS | 6 | - | - | (6) | - | - | - | - | - | - |
| - Share option exercised | - | - | (21) | - | - | - | - | (21) | - | (21) |
| Own share acquired | - | - | - | - | - | - | - | - | - | - |
| Dividend to owners of the Company | - | - | - | - | - | - | - | - | - | - |
| Total transactions with owners of the Company | 26 | - | (21) | 59 | - | - | 217 | 64 | - | 64 |
| Share option forfeited | - | - | - | (217) | - | - | - | - | - | - |
| At 30 June 2019 | 109,909 | (4) | (683) | 1,632 | 2,991 | 16,967 | 56,060 | 186,872 | (9) | 186,863 |

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TOMYPAK HOLDINGS BERHAD (Company No. 337743-W)

**UNAUDITED QUARTERLY REPORT FOR THE SECOND QUARTER ENDED
30 JUNE 2019**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

| | Attributable to owners of the Company | | | | | | | | | | Total equity RM '000 |
|--|---------------------------------------|--------------------------|--------------------------------|---------------------------|---------------------------------|----------------------------|----------------------------|------------------------------|------------------|-------------------------------------|-------------------------|
| | Non-distributable | | | | | Distributable | | | | | |
| | Share capital RM '000 | Share premium RM '000 | Translation reserve RM '000 | Treasury share RM '000 | Share option reserve RM '000 | Merger reserves RM '000 | Warrant reserve RM '000 | Retained earnings RM '000 | Total RM '000 | Non-controlling interest RM '000 | Total RM '000 |
| At 1 January 2018 | 108,735 | 993 | (4) | (142) | 988 | 2,991 | 16,967 | 65,450 | 195,978 | 17 | 195,995 |
| Foreign currency translation differences for foreign operation | - | - | (1) | - | - | - | - | - | (1) | - | (1) |
| (Loss)/ profit for the period | - | - | - | - | - | - | - | (2) | (2) | - | (2) |
| Total comprehensive (loss)/ income for the period | - | - | (1) | - | - | - | - | (2) | (3) | - | (3) |
| Equity settled share based transactions | - | - | - | - | - | - | - | - | - | - | - |
| -share issue pursuant to ESOS | 96 | (26) | - | (2) | 5 | - | - | 25 | 98 | - | 98 |
| Own share acquired | - | - | - | (224) | - | - | - | - | (224) | - | (224) |
| Dividends to owners of the Company | - | - | - | - | - | - | - | (2,097) | (2,097) | - | (2,097) |
| Share option forfeited | - | - | - | - | - | - | - | - | - | - | - |

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

| | Six months ended 30.06.2019 RM '000 | Six months ended 30.06.2018 RM '000 |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before tax | (6,985) | (2,587) |
| Adjustments for:- | | |
| Depreciation | 9,039 | 7,927 |
| Equity settled share-based transaction | 65 | - |
| Finance costs | 1,762 | 1,166 |
| Finance income | (32) | (40) |
| Property, plant and equipment | | |
| - Written off | 35 | - |
| - Loss/(gain) on disposal | 41 | (17) |
| Unrealised (gain)/ loss on foreign exchange | (1,035) | (716) |
| Operating profit before changes in working capital | 2,890 | 5,733 |
| Changes in employee benefits | 1 | (44) |
| Changes in inventories | (1,989) | (1,926) |
| Changes in trade and other receivables | (1,434) | 11,994 |
| Changes in trade and other payables | 692 | (4,859) |
| Changes in contract assets | 147 | 4,834 |
| Cash generated from operations | 307 | 15,732 |
| Tax paid | (11) | (1,202) |
| Other finance costs paid | (75) | (170) |
| Net cash from operating activities | 221 | 14,360 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (2,215) | (33,661) |
| Proceeds from disposal of property, plant and equipment | 26 | 149 |
| Interest received | 32 | 40 |
| Net cash used in investing activities | (2,157) | (33,472) |

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED (continued)

| | Six months ended 30.06.2019 RM '000 | Six months ended 30.06.2018 RM '000 |
|---|--|--|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Drawdown of term loans | - | 11,827 |
| Repayment of term loans | (7,617) | (3,457) |
| Net short term borrowings | 10,509 | 9,595 |
| Proceeds from exercise of share option | 20 | 98 |
| Net (payment)/proceeds from the repurchase and resale of treasury shares | (21) | (224) |
| Dividends paid to owners of the Company | - | (1,021) |
| Interest paid | (1,687) | (996) |
| Net cash from financing activities | <u>1,204</u> | <u>15,822</u> |
| Exchange differences on translation of the financial statements of foreign operations | - | (1) |
| Net increase/(decrease) in cash and cash equivalents | (732) | (3,291) |
| Cash and cash equivalents at 1 January | 7,055 | 10,492 |
| Cash and cash equivalents at 31 March | <u>6,323</u> | <u>7,201</u> |
| * Cash and cash equivalents at end of the year consist of:- | | |
| Cash and bank balances | <u>6,323</u> | <u>7,201</u> |
| | <u>6,323</u> | <u>7,201</u> |

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.)

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A. NOTES TO THE QUARTERLY FINANCIAL REPORT

1 Basis of preparation

(a) Statement of compliance

The interim financial statements are unaudited and have been prepared in accordance with paragraph of the Listing Requirements of the Bursa Malaysia Securities Berhad, and Malaysia Financial Reporting Standard (MFRS) 134: Interim Financial Reporting. These condensed consolidated interim financial statements also comply with IAS34 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 2018. 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 year ended 31 December 2018.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned standards, interpretations and amendments in the respective financial year when the above standards, interpretations and amendments become effective.

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company.

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(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

The Group has prepared its financial statements on a going concern basis, notwithstanding that the Group incurred a net loss of RM5,564k for the 6 months period ended 30 June 2019. As at that date, the Group's current liabilities exceeded its current assets by RM11,559k principally resulting from the reclassification of two term loans amounting to RM21,540k as current liabilities, in accordance with paragraph 74 of MFRS 101 Presentation of Financial Statements. This reclassification was due to the Group not fulfilling one of the covenants of one of the Group's existing bank for a term loan extended to the Group. Consequently, another term loan from another bank will also be reclassified as current liabilities as that is deemed to be a cross default. The Group has however complied with all other covenants from these two banks.

Notwithstanding this reclassification, the Group has been able to generate positive cash flow from its operations and has repaid all scheduled repayments due for these two loans and other scheduled repayments to other financial institutions. The Group has discussed this matter with the particular bank and there has been no default as the Group has been able to continuously honour all repayments due. In addition, the Group has secured indulgence on the non-compliance of the particular covenant and the bank will reassess this covenant after this financial year ending 31 December 2019.

For clarity, the Group would also like to advise that there has been no recall of any loans from any financial institutions as at the date of this announcement. The Group is still generating positive EBITA and has met all its financial obligations on schedule.

Notwithstanding the above, the Group has also taken various action plans to ensure that both the above matters are resolved expeditiously, i.e. to generate profits going forward and to ensure that in the unlikely event there is a recall of any of the facilities, the Group is in a position to generate sufficient cash flow to discharge these liabilities:

- (i) Operationally, since the Group embarked on its expansion program, the Group has undertaken various key transformation programs since 2017. These programs are in the areas of facility, operational, sales and marketing, human resources, corporate as well as sustainability transformations programs, all of which are in various stages of implementation.

These programs will ensure that the Group will be able increase its sales to utilise its expanded capacity in the new plant as well as deliver these sales efficiently thereby generating positive and higher returns, returning the Group to profitability;

- (ii) The Group is also in the process of negotiating with the bank to waive the particular financial covenant;
- (iii) The Group is seeking new loans with better terms to replace existing loans and raise additional standby facilities with less onerous covenants and terms;
- (iv) Cash flow wise, the Group will ensure that it will continue to generate sufficient operational cash flows to repay all scheduled loan repayments due to financial institutions, and build additional cash reserves;
- (v) Various other non-operational action plans to raise cash including intensifying efforts to obtain tax refund from over payment of income tax instalments as well as GST refund; and



- (vi) Raise funds via private placement, if and when necessary, for which the Group already has secured shareholders' approval to implement.

As at the end of the reporting period and as at the announcement date of these financial statements, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

Accordingly, the financial statements of the Group does not include any adjustments relating to the recoverability and classification of recorded assets amounts or to additional amounts and classification of liabilities that may be necessary should the aforesaid plans were not forthcoming or successfully implemented.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There is no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements except for recognition of deferred tax assets.

2 Audit qualification

The preceding audited financial statements of the Group were not subject to any audit qualification.

3 Seasonality or cyclicity of operations

The business operations of the Group during the financial quarter under review were not materially affected by any seasonal or cyclical factors.

4 Unusual items affecting the assets, liabilities, equity, net income or cash flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

5 Material changes in estimates

There were no changes in estimates of amounts, which have a material effect in the current quarter and financial year-to-date.

6 Issuances, cancellations, repurchases, resales and repayments of debts and equity securities

There were no issuances, cancellation, repurchases, resales and repayments of debts and equity securities for the current quarter.



7 Dividend paid

The Board did not recommend any interim dividend to be paid for the current quarter.

8 Segment information

The Group operates principally in Malaysia and in the manufacture and sale of flexible packaging materials.

The Group's operation is divided into local and export market. The local market relates to sales to customers within Malaysia. The export market relates to sales to overseas customers in South East Asia, South America, Africa and Asia being the principal market segment.

| | Individual quarter ended | | Cumulative quarter ended | |
|------------|--------------------------|---------------|--------------------------|---------------|
| | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | |
| - Local | 16,070 | 18,739 | 34,553 | 52,797 |
| - Overseas | 24,990 | 11,686 | 40,895 | 30,024 |
| | <u>41,060</u> | <u>30,425</u> | <u>75,448</u> | <u>82,821</u> |

9 Valuations of property, plant and equipment

The Group did not carry out any valuations on its property, plant and equipment for the current quarter.

10 Material events subsequent to period end

There were no material events subsequent to period end.

11 Changes in composition of the group

There were no changes in the composition of the Group for the current quarter.

12 Contingent liabilities

| | Company | |
|--|---------------|---------------|
| | 30 June 2019 | 30 June 2018 |
| | RM'000 | RM'000 |
| Secured corporate guarantees given to banks in respect of outstanding banking facilities of a subsidiary | <u>79,976</u> | <u>68,722</u> |

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13 Capital commitments

| | 30 June 2019 | 30 June 2018 |
|--|---------------------|---------------------|
| | RM'000 | RM'000 |
| Plant and equipment Contracted but not provided for | <u>2,275</u> | <u>10,138</u> |

14 Listing Requirement

The external auditors had performed a limited review on the condensed consolidated interim financial statements of the Group as at 30 June 2019 pursuant to a directive issued by Bursa Malaysia Securities Berhad on 27 May 2019 and a copy of the review report dated 22 August 2019 is attached.

B. ADDITIONAL INFORMATION AS REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENT

1 Review of performance

The Group's performance for the quarter under review as compared to the same quarter of the previous financial year, is as follows :

| Description | Q2 2019 RM '000 | Q2 2018 RM '000 | Change % |
|--|---------------------------|---------------------------|--------------------|
| Revenue | 41,060 | 30,425 | 35 >100 |
| EBITDA | 1,912 | 743 | |
| Operating Loss before Foreign exchange, Interest and Tax | (2,442) | (2,875) | 15 7 |
| Loss before tax | (3,416) | (3,689) | (96) |
| Loss after tax | (2,686) | (1,369) | |

Quarter Review

For the 3 months period ended June 30, 2019, the Group achieved a revenue of RM41.1 million as compared to RM30.4 million for the same period last year. The increase in revenue in this period under review is primarily due to increase in orders from some international customers and partially offset by a small decrease in sale to local customers.

Despite a reduction in terms of quantity delivered, from 2,998 metric tons in the same quarter last financial year, to 2,573 metric tons for this quarter, there was an increase in revenue due to different products with higher average selling price.

The Group achieved a higher EBITDA of RM1.9 million in current quarter as compared to RM0.7 million for the same period last year. This is due to higher contribution margins as well as reduction in operating overheads resulting from effective internal controls and the transformation program.



The Group recorded a loss before tax of RM3.4 million for the quarter under review as compared to a loss of RM3.7 million in the same quarter in FY 2018. This loss is primarily due to:

- a) High cost of goods manufactured resulting from high raw materials prices, particularly film and aluminum wire, and which was partially mitigated by reduction in raw material prices of adhesive, ink and solvent;
- b) Higher in depreciation of RM0.7 million as some new equipment were delivered, installed and commenced operations from mid of 2018; and
- c) there was also higher in finance expenses of RM0.2 million in this quarter compared to the same quarter last year.

The Group however was able to reduce the loss after tax to RM2.7 million arising from the recognition of tax income.

Six Months Review

| Description | Q2 2019 RM '000 | Q2 2018 RM '000 | Change % |
|--|--------------------|--------------------|-------------|
| Revenue | 75,448 | 82,821 | (9) |
| EBITDA | 3,784 | 6,466 | (41) |
| Operating Loss before Foreign exchange, Interest and Tax | (6,460) | 113 | (>100) |
| Loss before tax | (6,985) | (2,587) | (>100) |
| Loss after tax | (5,564) | (2) | |

For the six months ended June 30, 2019, the Group recorded a revenue of RM75.4 million as compared to RM82.8 million in the corresponding period in the previous financial year, a decrease of RM7.4 million or 9%. The decrease was primarily due to a reduction in sales to some local customers. The decrease to these customers were partially mitigated by an increase in sales to some existing and new international customers. The average selling price of the products shipped during this period was also higher due to different sales mix.

As a result of the reduction in sales, the Group EBITDA decreased to RM3.8 million for the six months ended June 30, 2019 from RM6.5 million for the same period last year. The Group reported a loss before tax of RM7.0 million for the six months for financial year 2019 in line with the decrease in revenue.

The contribution margins from the sales were insufficient to cover a slight increase in factory overheads for the 6 months ended 30 June 2019. There was also marginally higher sales and marketing expenses and administrative expenses in the six months ended 30 June 2019, arising from costs incurred for increased in sales personnel and sales and marketing costs for activities overseas, increase in salaries as a result of recruitment of additional talent and training costs. Total depreciation charges increased from RM7.9 million in the 6 months ended 30 June 2018 to RM9.0 million for the 6 months ended 30 June 2019 as more new equipment were commissioned into operations after 30 June 2018. In addition, there was also higher interest costs of RM1.8 million for the six months ended June 30, 2019 as compared to RM1.2 million in the corresponding period in previous financial year, for fixed loans drawn down to finance the purchase new production equipment and working capital loans.



The Group recognized a net foreign exchange gain of RM1.2 million in this financial year, from a loss of RM1.6 million in the prior financial period.

2 Variation of results against preceding quarter

The Group's performance for the quarter under review as compared to the preceding quarter is as follows:

| | Q2 2019 | Q1 2019 | Change |
|--|----------------|----------------|---------------|
| | RM '000 | RM '000 | % |
| Revenue | 41,060 | 34,388 | 19 |
| EBITDA | 1,912 | 1,872 | 2 |
| Operating Loss before Foreign exchange, Interest and Tax | (2,442) | (4,018) | 39 |
| Loss before tax | (3,416) | (3,569) | 4 |
| Loss after tax | (2,686) | (2,878) | 7 |

For the three months ended June 30, 2019, the Group achieved a revenue of RM41.1 million compared to RM34.4 million for the preceding quarter, an increase of 19% resulting from increased orders from international customers.

EBITDA increased from RM1.87 million for the three months ended March 31, 2019 to RM1.91 million for the three months ended June 30, 2019, an increase of 2%. This increase is primarily due to an increase in sales.

The loss before tax of the Group was also slightly lower at RM3.4 million in Q2-2019 against a loss of RM3.6 million for the preceding quarter, despite recognising a foreign exchange losses of RM0.2 million against a foreign exchange gain of RM1.3 million in the first quarter of FY 2019.

3 Prospects

As at the end of June 2019, most of the major equipment have been moved from Tampoi to Senai and the facility transformation would be substantially completed in Quarter 3 of FY 2019.

The implementation of the various transformation programs is expected to result in better sales and will enhance operational efficiencies of the Group in the forthcoming quarters, all of which will be able to result in improved operational performance.

The Board is confident that the performance of the Group will continue to improve.

4 Profit forecast

No profit forecast was provided for the current quarter and financial year-to-date.

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5 Tax income/ (expense)

Taxation comprises the following:

| | Individual quarter ended | | Cumulative quarter ended | |
|---|--------------------------|------------------------|--------------------------|------------------------|
| | 30 June 2019 RM'000 | 30 June 2018 RM'000 | 30 June 2019 RM'000 | 30 June 2018 RM'000 |
| The tax income/ (expense) comprises the followings: | | | | |
| Tax income/ (expense) | | | | |
| - Current period | (8) | 112 | (8) | 107 |
| - Prior year | - | (306) | - | (306) |
| | (8) | (194) | (8) | (199) |
| Deferred tax income | | | | |
| - Current period | 738 | 2,514 | 1,429 | 2,784 |
| | 738 | 2,514 | 1,429 | 2,784 |
| | 730 | 2,320 | 1,421 | 2,585 |

6 Status of corporate proposal announced

There was no corporate proposal announced for the current quarter.

7 Group borrowings and debts securities

The borrowings of the Group denominated in Ringgit Malaysia as at the end of the reporting period are as follows: -

| | 30 June 2019 RM'000 | 30 June 2018 RM'000 |
|--------------------|------------------------|------------------------|
| Non-current | | |
| Secured | | |
| Term loans** | 2,143 | 41,531 |
| | 2,143 | 41,531 |
| Current | | |
| Secured | | |
| Revolving credit | 14,534 | - |
| Term loans** | 36,079 | 9,695 |
| | 50,613 | 9,695 |
| Unsecured | | |
| Trust receipts | 27,220 | 17,496 |
| | 27,220 | 17,496 |
| | 77,833 | 27,191 |
| | 79,976 | 68,722 |

****Note:** Reclassification of partial non-current term loans to current term loans as per Basis of Measurement stated in A-1(b) in page 8.



8 Disclosure of derivatives

There were no financial derivatives for current quarter ended 30 June 2019.

9 Changes in material litigation

There were no pending material litigations at the date of this quarterly report.

10 Dividend

No dividend was declared by the Company for the current quarter under review.

11 Earnings per ordinary shares

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the period under review is based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares in issue during the said financial period.

| | Individual quarter ended | | Cumulative quarter ended | |
|--|--------------------------|---------------|--------------------------|---------------|
| | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 |
| Adjusted Net Profit attributable to ordinary shareholders (RM'000) | (2,678) | (1,367) | (5,544) | (2) |
| Weighted average number of ordinary shares in issue ('000) | 418,926 | 419,347 | 418,939 | 419,446 |
| Basic earnings per ordinary share (sen) | <u>(0.64)</u> | <u>(0.33)</u> | <u>(1.32)</u> | <u>(0.00)</u> |

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the period under review is based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares in issue during the said financial period, calculated as follows:

| | Individual quarter ended | | Cumulative quarter ended | |
|--|--------------------------|---------------|--------------------------|---------------|
| | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 |
| Adjusted Net Profit attributable to ordinary shareholders (RM'000) | (2,678) | (1,367) | (5,544) | (2) |
| Weighted average number of ordinary shares in issue ('000) | 419,127 | 419,534 | 419,140 | 419,633 |
| Diluted earnings per ordinary share (sen) | <u>(0.64)</u> | <u>(0.33)</u> | <u>(1.32)</u> | <u>(0.00)</u> |



12 Related party transactions

There were no significant related party transactions for the Group during the period under review.

13 Notes to the Statements of Comprehensive Income

(Loss)/ Profit before tax is arrived at after charging/ (crediting):.

| | Individual quarter ended | | Cumulative quarter ended | |
|---|--------------------------|--------------|--------------------------|--------------|
| | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Dividend income | - | - | - | - |
| Interest expense | 830 | 657 | 1,762 | 1,166 |
| Depreciation | 4,511 | 3,816 | 9,039 | 7,927 |
| Bad debts recovered | - | - | - | - |
| Allowance for/ (Reversal of) slow moving inventories | 22 | 14 | 968 | 301 |
| Foreign exchange: | | | | |
| - Realised loss/(gain) | (324) | 600 | (170) | 2,290 |
| - Unrealised loss/(gain) | 481 | (402) | (1,035) | (716) |
| Loss/(gain) on disposal of property, plant and equipment | 1 | - | 41 | (17) |
| Equity settled share based transaction (ESOS expense) | - | - | 65 | - |

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