

CYMAO HOLDINGS BERHAD

(Company No. 445931 - U)

(Incorporated in Malaysia)

INTERIM

FINANCIAL STATEMENTS

**FOR THE FOURTH
QUARTER ENDED**

31ST DECEMBER 2018

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 - UNAUDITED**

	Individual Period (4th Quarter)		Changes Amount	Changes (%)	Cumulative Period Audited		Changes Amount	Changes (%)
	Current Year Quarter 31.12.2018 RM'000	Preceding Year Corresponding Quarter 31.12.2017 RM'000			Current Year To- date 31.12.2018 RM'000	Preceding Year Corresponding Period 31.12.2017 RM'000		
	Revenue	17,574			28,812	(11,238)		
Cost of sales	(16,548)	(26,284)	9,736	(37.04)	(81,729)	(88,433)	6,704	(7.58)
Gross profit	1,026	2,528	(1,502)	(59.41)	6,305	4,656	1,649	35.42
Other income	(120)	56	(176)	(314.29)	1,504	717	787	109.76
Other operating expenses	(196)	(491)	295	(60.08)	(404)	(615)	211	(34.31)
Administrative expenses	(1,090)	(1,687)	597	(35.39)	(6,802)	(6,481)	(321)	4.95
Selling and marketing expenses	(944)	(1,811)	867	(47.87)	(4,601)	(5,150)	549	(10.66)
Interest income	5	11	(6)	(54.55)	30	41	(11)	(26.83)
Finance costs	(177)	(130)	(47)	36.15	(424)	(331)	(93)	28.10
Share loss in joint venture	51	(389)	-	-	-	(389)	389	(100.00)
(Loss) before tax	(1,445)	(1,913)	28	(24.46)	(4,392)	(7,552)	3,160	(41.84)
Income tax expenses	106	83	23	-	105	83	22	-
(Loss) net of tax	(1,339)	(1,830)	491	(26.83)	(4,287)	(7,469)	3,182	(42.60)
Total comprehensive profit/(loss) attributable to:								
Owners of the Company	(1,339)	(1,830)	491	(26.83)	(4,287)	(7,469)	3,182	(42.60)
(Loss) attributable to:								
Owners of the Company	(1,339)	(1,830)	491	(26.83)	(4,287)	(7,469)	3,182	(42.60)
Non-controlling interest	-	-	-	-	-	-	-	-
(Loss) for the period	(1,339)	(1,830)	491	(26.83)	(4,287)	(7,469)	3,182	(42.60)
Total comprehensive (loss) attributable to:								
Owners of the Company	(1,339)	(1,830)	491	(26.83)	(4,287)	(7,469)	3,182	(42.60)
Non-controlling interest	-	-	-	-	-	-	-	-
Total comprehensive (loss) for the period	(1,339)	(1,830)	491	(26.83)	(4,287)	(7,469)	3,182	(42.60)
Basic (Loss) per ordinary share (sen):								
(Loss) from continuing operations	(1.79)	(2.49)	0.71	(28.32)	(5.72)	(10.17)	4.45	(43.77)

The above Condensed Consolidated Income Statement should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

CYMAO HOLDINGS BERHAD

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**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 - UNAUDITED**

	Current Quarter 31.12.2018	Immediate Preceding Quarter 30.09.2018	Changes Amount	Changes (%)
Revenue	17,574	27,893	(10,319)	-36.99%
Operating Profit	1,026	674	352	52.23%
(Loss)/Profit Before Interest and Tax	(1,450)	666	(2,116)	-317.72%
(Loss)/Profit Before Tax	(1,445)	674	(2,119)	-314.39%
(Loss)/Profit After Tax	(1,339)	674	(2,013)	-298.66%
(Loss)/Profit Attributable to Ordinary Equity Holders of the Parent	(1.82)	0.92	(3)	-297.83%

CYMAO HOLDINGS BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 - UNAUDITED**

	As at 31.12.2018 (Unaudited) RM'000	As at 31.12.2017 (Audited) RM'000
ASSETS		
Property, plant and equipment	32,795	35,260
Land use right	786	840
Other receivables	-	-
Associate Company	-	51
Total non-current assets	<u>33,581</u>	<u>36,151</u>
Inventories	29,468	21,659
Trade receivables	9,280	11,504
Other receivables	5,827	3,931
Tax refundable	982	790
Fixed deposit with licensed bank	2,147	1,432
Cash and bank balances	1,082	4,026
Total current assets	<u>48,786</u>	<u>43,342</u>
Total assets	<u>82,367</u>	<u>79,493</u>
Equity		
Share capital	92,374	92,374
Treasury shares	(694)	(694)
Accumulated losses	(33,414)	(29,127)
Total equity	<u>58,266</u>	<u>62,553</u>
LIABILITIES		
Borrowings - Long term	1,642	2,020
Deferred tax liabilities	1,524	1,638
Total non-current liabilities	<u>3,166</u>	<u>3,658</u>
Borrowings - Short term	9,758	6,221
Trade payables	7,766	4,502
Other payables	3,411	2,559
Tax payables	-	-
Total current liabilities	<u>20,935</u>	<u>13,282</u>
Total liabilities	<u>24,101</u>	<u>16,940</u>
Total equity and liabilities	<u>82,367</u>	<u>79,493</u>
Net assets per share attributable to owners of the Company (RM)	<u>0.63</u>	<u>0.68</u>

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to these interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES EQUITY
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018 - UNAUDITED**

	Attributable to Equity Holders of the Company			
	Non-Distributable	Distributable		
	Share Capital RM'000	Treasury Shares RM'000	Accumulated Losses RM'000	Total Equity RM'000
At 1 January 2017	92,374	(631)	(21,658)	70,085
Total comprehensive loss for the 12-month period	-	(63)	(7,469)	(7,532)
At 31 December 2017	<u>92,374</u>	<u>(694)</u>	<u>(29,127)</u>	<u>62,553</u>
At 1 January 2018	92,374	(694)	(29,127)	62,553
Total comprehensive loss for the 12-month period	-		(4,287)	(4,287)
At 31 December 2018	<u>92,374</u>	<u>(694)</u>	<u>(33,414)</u>	<u>58,266</u>

The above 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 and accompanying explanatory notes attached to these interim financial statements.

CYMAO HOLDINGS BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018 - UNAUDITED**

	12 months ended	
	31.12.2018 (Unaudited) RM'000	31.12.2017 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(4,392)	(7,551)
Adjustments for:		
Depreciation of property, plant and equipment	3,749	3,904
Amortisation of land use right	53	53
Gain on disposal of plant and equipment	(20)	(151)
Inventories write off	-	53
Provision for doubtful debt	83	94
Equipment written off	85	-
Interest income	(30)	(41)
Share loss in joint venture	51	389
Finance costs	424	331
Operating profit/(loss) before working capital changes	<u>3</u>	<u>(2,919)</u>
(Increase)/Decrease in inventories	(8,119)	1,817
(Increase)/Decrease in receivables	(1,078)	7,868
Increase/(Decrease) in payables	<u>5,714</u>	<u>(1,057)</u>
Net cash (used in)/generated from operations	(3,480)	5,709
Interest paid	(424)	(331)
Net tax paid	<u>(193)</u>	<u>(283)</u>
Net cash (used in)/generated from operating activities	<u>(4,097)</u>	<u>5,095</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Movement in fixed deposits under pledged	(715)	(1,432)
Acquisition of property, plant and equipment	(1,368)	(2,542)
Purchase of treasury shares	-	(63)
Proceeds from disposal of plant and equipment	20	188
Interest received	30	41
Net cash used in investing activities	<u>(2,033)</u>	<u>(3,808)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bankers' acceptance drawn down	23,498	20,677
Short Term Loan	153	(61)
Repayment of term loan	(147)	(143)
Repayment of bankers' acceptance	<u>(21,236)</u>	<u>(20,901)</u>
Net cash generated from/(used in) financing activities	<u>2,268</u>	<u>(428)</u>
Net (decrease)/increase in cash and cash equivalents	(3,862)	859
Cash and cash equivalents at beginning of financial period	4,026	3,167
Cash and cash equivalents at end of financial period	<u>164</u>	<u>4,026</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018 - UNAUDITED**

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

	As at 31.12.2018 (Unaudited) RM'000	As at 31.12.2017 (Audited) RM'000
Cash in hand and at bank	1,082	4,026
Bank overdraft	(918)	-
Fixed deposit with a licensed bank	2,147	1,432
Cash and bank balances	<u>2,311</u>	<u>5,458</u>
Less: Deposit with a licensed bank pledged for bank guarantees	<u>(2,147)</u>	<u>(1,432)</u>
	<u>164</u>	<u>4,026</u>

The above Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and accompanying explanatory notes attached to these interim financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018 - UNAUDITED

1 Corporate Information

The Company is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at MPT 4604, 3rd Floor, Lot 15 - 16, Block B, Bandaran Baru, Jalan Baru, 91000 Tawau, Sabah. The principal place of business of the Company is located at 8.7 KM, Jalan Batu Sapi, 90000 Sandakan, Sabah.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are manufacturing and sale of veneer, plywood, decorative plywood, blockboard and sale and extraction of log timbers. There have been no significant changes in the nature of these principal activities during the financial year.

2 Basis of Preparation

These condensed consolidated interim financial statements (Condensed Report) for the period ended 31 December 2018, have been prepared in accordance with Malaysian Financial Reporting Standard (MFRS) 134 "*Interim Financial Reporting*" and paragraph 9.22 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad. The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017.

The accounting policies used in the preparation of interim financial statements are consistent with those previously adopted in the audited financial statements of the Group for the year ended 31 December 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

3 Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2017, except for the adoption of the following new/revised MFRSs and amendments to MFRSs:

MFRS 15: Revenue from Contracts with Customers

MFRS 9: Financial Instruments

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018 - UNAUDITED**

3 Significant Accounting Policies

Effective for financial periods beginning on or after 1 January 2019:

MFRS 16 : Leases

IC interpretation 23 uncertainty over income tax treatments

Amendments to MFRS 112 (Annual improvement to MFRS standard 2015 - 2017 cycle)

Effective for financial periods beginning on or after 1 January 2020:

Destination of material (Amendments to MFRS 101)

Destination of material (Amendments to MFRS 108)

The adoption of the above revised MFRSs, and Amendment do not have any significant financial impact on the Group.

4 Auditors' Report

The auditors' report on the financial statements of the Group for the year ended 31 December 2017 was not qualified.

5 Seasonality of operations

The Group's business operation and performance are to a certain extent affected by weather conditions especially on the supply of logs.

6 Unusual Items due to their Nature, Size or Incident

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the quarter under review.

7 Changes in Estimates

There was no estimation of amount used in the preceding reporting having a material effect in the current reporting quarter.

8 Dividend Paid

There was no dividend paid by the Group during the current quarter.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018 - UNAUDITED**

9 Carrying Amount of Revalued Assets

There were no brought forward valuations of property, plant and equipment from the year ended 31 December 2018 and there were no valuations of property, plant and equipment carried out during the current financial year-to-date.

10 Debt and Equity Securities

There were no issuances, cancellations, resale and repayments of debt and equity securities during the quarter under review.

11 Changes in the Composition of the Group

There were no changes in the composition of the Group during the reporting quarter.

12 Segmental Information

No segmental information has been presented as the Group activities are predominantly in Malaysia.

13 Capital Commitments

There were no capital commitments for the quarter ended 31 December 2018.

14 Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last statement of financial position as at 31 December 2017 and up to the date of this report.

15 Subsequent Events

There were no material subsequent events to the end of the current quarter.

16 Trade Receivables

The trade receivable turnover is 38 days which is within the industry average. Export sales are through Letter of Credit. The Group has not experienced any debt issues with the customers as the customers are long established and reliable.

There are no write down of debts during the quarter.

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018 - UNAUDITED

17 Performance Review

Turnover

The quarter registered a turnover of RM17.574 million a decrease in turnover of RM11.238 million as compared to preceding year corresponding period of RM28.812 million last year. The decrease in turnover is mainly due to sluggish demand on international export market and local domestic demand and a drop in pricing. The average sales volume of 2,491 m3 per month this quarter is 47% less than 4,655 m3 average sale volume for 2017 same quarter. production volume for plywood and veneer decreased by 2,596 m3 from 10,323 to 7,727 m3, a decrease of 26% for this quarter as compared to the preceding year corresponding quarter. Logs supply is sufficient for Sandakan mill production due to export logs ban in Sabah.

(Loss) before Tax

The Group registered a loss of RM1.339 million as compared to a loss before tax of RM1.913 million in the preceding year corresponding quarter. This represents a reduction in loss due mainly to lower operation cost and a higher export price as compared to the preceding year corresponding quarter.

The results of the operations-Profit/(Loss):

	31.12.2018	31.12.2017
	RM'000	RM'000
Sandakan	(245)	(1,225)
Klang	(241)	430
Jengka	(714)	(613)
Other companies	(139)	(422)
Group (loss)	<u>(1,339)</u>	<u>(1,830)</u>

As explained, the decrease in loss in Sandakan is due to lower operating cost and higher export sales. The loss before tax in Klang has increased compared to last corresponding quarter due to competitive pricing and lower sales. Jengka still incurred a loss due to machinery repairs and upgrade and manpower training, higher logs prices and under capacity which the management is taking actions to fix these problems and stopped the operation.

Comparison with immediate preceding quarter's result:

As a result of significant decrease in export sales prices and overall volume, revenue has decreased by RM10.319 million or 36.99% as compared to the immediate preceding quarter. This quarter showed a loss before tax of RM1.339 million as compared to the immediate preceding quarter of RM0.674 million profit before tax due to drop of selling price for export market and lower sales as stated above.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018 - UNAUDITED****17 Performance Review****Comparison with immediate preceding quarter's result:**

The changes in sales volumes can be analyzed as follows:

	31.12.2018	30.09.2018	Net change
Sandakan mills : Export (m3)	3,180	3,990	(810)
: Local (m3)	1,151	1,555	(404)
	<u>4,331</u>	<u>5,545</u>	<u>(1,214)</u>
Poly-Ply at Klang : Export (m3)	256	138	118
: Local (m3)	1,707	3,210	(1,503)
	<u>1,963</u>	<u>3,348</u>	<u>(1,385)</u>
Poly-Ply at Jengka : Export (m3)	-	55	(55)
: Local (m3)	1,180	414	766
: Local (m3) to Sandakan	-	180	(180)
	<u>1,180</u>	<u>649</u>	<u>531</u>

Sandakan recorded a reduction of 1,214 m3 sales and Klang recorded a reduction of 1,385 m3 sales for this quarter as compared to the immediate preceding quarter. Even though there was a decrease of sales for this quarter but gross profit margin improved due to higher price for export market.

Group's Prospect:

The logs supply has improved in the last quarter in Sandakan and the export prices have stabilised thus resulting in sandakan making a reduced loss. The production cost is lower in Sandakan and therefore gross margin has improved. The international export market has stabilised in the last six months with the improve pricing but the local market is slow in sales. The Group is focusing more on export sales to capture the better margin.

Starting from this quarter, even Jengka has started producing plywood to capture a better margin but the operation of Jengka still incurred a loss as there are ongoing repairs and additions of machinery and manpower training and higher logs prices. Management is working to improve the performance and to weigh other options if necessary. The operation is being stopped in February.

Klang operation has slowed down due to a slow demand for value-added plywood products. The challenge is for the Klang operation management to fix the situation and put more efforts to capture more customers and to manage the cost to bring the Klang operation to a better profitability.

Overall, the prospect for the Group is positive as export plywood prices have improved and the concerted efforts to reduce operating cost. Logs supply in Sandakan and Jengka is more stable except prices have gone up gradually which the Group has to manage. The Management at Klang is focusing to capture more sales to improve profitability.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 - (UNAUDITED)****18 Bank Borrowing**

The total banking facilities of the Group remained at RM14 million comprising of trade facilities of RM10 million, overdraft of RM2 million and loan of RM2 million.

The average interest rate charged by the banks were 4.50% - 7.50%

Borrowings (Secured)

As at 4th quarter ended 2018						
	Long Term		Short Term		Total Borrowings	
	Foreign denomination ^	RM denomination	Foreign denomination ^	RM denomination	Foreign denomination ^	RM denomination
Secured						
Banker Acceptance	-	-	-	8,444	-	8,444
Term Loan	-	1,642	-	-	-	1,642
Hire Purchase	-	-	-	396	-	396
Bank Overdraft	-	-	-	918	-	918
Unsecured						
Banker Acceptance	-	-	-	-	-	-
Term Loan	-	-	-	-	-	-
Bank Overdraft	-	-	-	-	-	-
As at 4th quarter ended 2017						
	Long Term		Short Term		Total Borrowings	
	Foreign denomination ^	RM denomination	Foreign denomination ^	RM denomination	Foreign denomination ^	RM denomination
Secured						
Banker Acceptance	-	-	-	5,975	-	5,975
Term Loan	-	1,641	-	148	-	1,789
Hire Purchase	-	379	-	98	-	477
Bank Overdraft	-	-	-	-	-	-
Unsecured						
Banker Acceptance	-	-	-	-	-	-
Term Loan	-	-	-	-	-	-
Bank Overdraft	-	-	-	-	-	-

All the borrowings are denominated in Ringgit Malaysia.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBRE 2018 - (UNAUDITED)****19 Impairment**

The valuation for the fixed assets of the Group amounted to RM76.322 million as at 31 December 2017 and the net book value is RM32.795 million as at 31 December 2018. Therefore, there is no impairment provision required for this quarter.

20 Commentary on Prospects

The Group is consciously endeavouring to strengthen its competitive advantage in term of quality, recovery rate and operational efficiency to improve the margin of its products. In addition, the Group has managed to secure its timber rights extraction, with the ban of logs export in Sabah, logs supply situation has improved. With the higher export price the Sandakan operation is turning around to generate profit for the Group.

Marketing strategy

The Group will continue to focus on USD export market to take advantage of the strong Dollar and the higher price. With the improved quality raw material sourcing, it is expected this strategy will accrue more benefit to the Group.

Business opportunity

The Group will continue to explore positive business opportunities to enhance the core performance of the Group. In the short to medium term, the Group will focus on consolidating the three operations of the Group-Sandakan, Klang and Jengka. Sandakan is profitable in this quarter, Jengka operation is being stopped and Klang has to focus on more sales.

21 Profit Forecast/Profit Guarantee

Not applicable as the Group has not provided any profit forecast or profit guarantee for the quarter ended 31 December 2018.

22 Additional disclosure -(Loss) before tax

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM' 000	RM' 000	RM' 000	RM' 000
(Loss) before tax is arrived at after				
Amortisation and depreciation	1,105	972	3,802	3,957
Gain on disposal of plant and equipment	-	-	20	151
Interest expense	177	68	424	331
Interest income	5	6	30	41

There were no impairment loss on receivables, gain or loss on disposal of quoted or unquoted investment and other exceptional items for the current quarter under review and financial year-to-date.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 - (UNAUDITED)**

23 Income Tax expense

	Current quarter 3 months ended 31.12.2018 (Unaudited) RM' 000	Year To-date 12 months ended 31.12.2017 (Unaudited) RM' 000
Income tax:		
Current Taxation	-	-
Deferred Tax	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

24 Status of Corporate Proposals

As at the date of this report, there were no corporate proposals announced and not completed, being the latest practical date that shall not be earlier than 7 days from the date of this quarterly report.

25 Changes in Material Litigation

As at the date of this report, the Group has not engaged in any material litigation.

26 Dividend Payable

No dividend has been recommended for the quarter under review.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 - (UNAUDITED)**

27 (Loss) per share

Basic (loss) per share is calculated by dividing the (loss) attributable to the ordinary equity holders of the owner by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	Current quarter		Year-To-Date	
	3 months ended		12 months ended	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	As at	As at	As at	As at
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
(Loss) attributable to ordinary equity holders of the parent (RM' 000)	<u>(1,339)</u>	<u>(1,830)</u>	<u>(4,287)</u>	<u>(7,469)</u>
Weighted average number of shares in issue (' 000)	<u>75,000</u>	<u>73,473</u>	<u>75,000</u>	<u>73,473</u>
Basic (loss) per share (Sen)	<u>(1.79)</u>	<u>(2.49)</u>	<u>(5.72)</u>	<u>(10.17)</u>
Diluted (loss) per share (Sen)	<u>(1.79)</u>	<u>(2.49)</u>	<u>(5.72)</u>	<u>(10.17)</u>