

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Individual Quarter			Cumulative Quarter		
	Current Year Quarter 30-Jun-20 RM'000	Preceding year Corresponding Quarter 30-Jun-19 RM'000	Changes %	Current Year To date 30-Jun-20 RM'000	Preceding year Corresponding year 30-Jun-19 RM'000	Changes %
Revenue	29,409	32,988	-10.85%	66,805	58,543	14.11%
Direct costs	(121)	(214)	-43.46%	(279)	(451)	-38.14%
Changes in inventories of finished goods and work in progress	185	18	927.78%	(4,721)	3,297	-243.19%
Raw materials and consumable used	(22,942)	(25,429)	-9.78%	(45,323)	(51,544)	-12.07%
Changes in inventories of trading merchandise	(73)	(1,023)	-92.86%	(204)	(2,371)	-91.40%
Staff costs	(2,711)	(2,944)	-7.91%	(5,537)	(5,956)	-7.03%
Other income	2,214	436	407.80%	768	947	-18.90%
Depreciation and amortisation	(1,601)	(1,623)	-1.36%	(3,143)	(3,226)	-2.57%
Other operating expenses	(1,934)	(5,339)	-63.78%	(4,105)	(7,980)	-48.56%
Finance cost	(379)	(290)	30.69%	(626)	(556)	12.59%
Profit/(Loss) before taxation	2,047	(3,420)	-159.85%	3,635	(9,297)	-139.10%
Taxation	-	(330)	-100.00%	(60)	(660)	-90.91%
Profit/(Loss) after taxation/ Total comprehensive income/(loss)	2,047	(3,750)	-154.59%	3,575	(9,957)	-135.90%
Profit/(Loss) attributable to:						
Owners of the Company	2,171	(3,741)		3,709	(9,958)	
Non-controlling interest	(124)	(9)		(134)	1	
	2,047	(3,750)		3,575	(9,957)	
Total comprehensive income/(loss) attributable to:						
Owners of the Company	2,171	(3,741)		3,709	(9,958)	
Non-controlling interest	(10)	(9)		(134)	1	
	2,161	(3,750)		3,575	(9,957)	
Earning/(Loss) per share attributable to owners of the Company (sen per share):						
Basic earning/(loss) per share	0.12	(0.25)		0.21	(0.66)	
Diluted EPS	N/A	N/A		N/A	N/A	

The unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at end of Current Quarter 30-Jun-20 RM'000	Audited As at preceding Financial Year Ended 31-Dec-19 RM'000
ASSETS		
Non Current assets		
Property, plant and equipment	78,903	79,111
Right of use assets	7,138	7,664
Investment properties	15,440	15,440
Intangible assets	102	102
Land held for development	16,131	15,727
	117,714	118,044
Current Assets		
Inventories	47,125	50,273
Trade and other receivables	11,357	9,612
Tax recoverable	58	54
Other investment	8,818	9,404
Derivative assets	-	12
Fixed deposits with licensed banks	5,311	5,248
Cash and bank balances	7,694	8,875
	80,363	83,478
TOTAL ASSETS	198,077	201,522
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the parent		
Share capital	166,639	166,639
Share premium	-	-
Treasury shares	(1,297)	(100)
Revaluation reserve	23,379	23,379
Reverse acquisition reserve	(72,051)	(72,051)
Reserve - SIS	1,542	1,542
Retained profits	36,006	32,297
Equity attributable to the owners of the Company	154,218	151,706
Non-controlling interest	11	145
Total equity	154,229	151,851
Non Current Liabilities		
Lease liabilities	3,827	4,632
Deferred income	658	728
Borrowings	15,804	16,170
Provision	38	38
Deferred tax liabilities	3,721	3,721
	24,048	25,289
Current Liabilities		
Trade and other payables	11,644	15,302
Tax payable	307	307
Borrowings	5,765	6,933
Lease Liabilities	2,031	1,840
Derivative liabilities	53	-
	19,800	24,382
TOTAL LIABILITIES	43,848	49,671
TOTAL EQUITY AND LIABILITIES	198,077	201,522
Net assets per share (sen) attributable to owners of the Company	8.62	8.35

The unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial statements.

JAG BERHAD ("JAG" OR "COMPANY")
[Company No. 199701023733 (439230 - A)]

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital RM'000	Share premium RM'000	Tresury shares RM'000	Revaluation reserve RM'000	Reverse acquisition reserve RM'000	Reserve - SIS RM'000	Retained profits RM'000	Equity attributable to owners of the Company RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2019	148,110	9,141	(100)	23,379	(72,051)	1,542	44,203	154,224	168	154,392
Transfer in accordance with Section 618 (2) of the Companies Act 2016	9,141	(9,141)	-	-	-	-	-	-	-	-
Net profit/Total comprehensive income for the period	-	-	-	-	-	-	(9,958)	(9,958)	1	(9,957)
At 30 June 2019	<u>157,251</u>	<u>-</u>	<u>(100)</u>	<u>23,379</u>	<u>(72,051)</u>	<u>1,542</u>	<u>34,245</u>	<u>144,266</u>	<u>169</u>	<u>144,435</u>
At 1 January 2020	166,639	-	(100)	23,379	(72,051)	1,542	32,297	151,706	145	151,851
Treasury shares acquired	-	-	(1,197)	-	-	-	-	(1,197)	-	(1,197)
Net profit / Total comprehensive profit for the period	-	-	-	-	-	-	3,709	3,709	(134)	3,575
At 30 June 2020	<u>166,639</u>	<u>-</u>	<u>(1,297)</u>	<u>23,379</u>	<u>(72,051)</u>	<u>1,542</u>	<u>36,006</u>	<u>154,218</u>	<u>11</u>	<u>154,229</u>

The unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	Cumulative Current Year 30-Jun-20 RM'000	Preceding Year Corresponding Period 30-Jun-19 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	3,635	(9,297)
Adjustments for:		
Allowance for impairment of receivables	-	767
Allowance for impairment of receivables no longer required	(21)	-
Changes in fair value of other investments	(58)	141
Changes in fair value of derivative financial instruments	65	4
Depreciation of property, plant and equipment and right of use assets	3,143	3,226
Dividend income	(58)	(124)
Gain on disposal of fixed assets	(66)	(183)
Loss on foreign exchange - unrealised	184	422
Government grant income	(70)	(70)
Realised loss on foreign exchange - cash and cash equivalent	(22)	-
Impairment loss on investment properties	-	950
Income distribution from quoted fund	-	(35)
Inventories written down	-	479
Interest income	(112)	(124)
Interest expense	738	680
Operating cash flows before working capital changes	7,358	(3,164)
Changes in working capital:		
Decrease/(Increase) in inventories	3,148	(4,543)
(Increase)/Decrease in trade and other receivables	(1,909)	8,017
(Decrease)/Increase in trade and other payables	(3,662)	1,294
(Increase)/Decrease in property development expenditure	(404)	129
Decrease/(Increase) in other investments	645	(1,275)
Cash generated from operations	5,176	458
Income tax paid	(78)	(18)
Income tax refunded	13	88
Net cash generated from operating activities	5,111	528
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in fixed deposit pledged	(29)	(37)
Income distribution from quoted fund	-	35
Interest received	112	124
Dividend received	58	124
Deposit paid for purchase of property, plant and equipment	-	(792)
Proceed from disposal of fixed assets	67	183
Purchase of property, plant and equipment	(2,195)	(1,435)
Purchase of land held for development	-	(6,392)
Net cash used in investing activities	(1,987)	(8,190)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(584)	(565)
Cash payment for leases	(978)	(781)
Acquisition of treasury shares	(1,197)	-
Repayment of term loan	(706)	(649)
Net cash used in financing activities	(3,465)	(1,995)
Net decrease in cash and cash equivalents	(341)	(9,657)
Effect of exchange rate changes	22	-
Cash and cash equivalents at 1 January	7,794	7,406
Cash and cash equivalents at 30 June 2020	7,475	(2,251)
Cash and cash equivalents at end of financial quarter comprised:		
Cash and bank balances	7,694	2,068
Fixed deposits with licensed banks	5,311	5,224
Bank overdraft	(3,280)	(8,144)
	9,725	(852)
Less: Fixed deposits pledged	(2,250)	(1,399)
	7,475	(2,251)

The unaudited Condensed Consolidated Statements of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial statements.

QUARTERLY REPORT

Notes on the quarterly report for the financial period ended 30 June 2020

Part A - Explanatory notes pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) Interim Financial Reporting

A1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS134: Interim Financial Reporting, IAS 34: Interim Financial Reporting and Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“ACE LR”).

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted and as disclosed in the Group’s annual report for the financial year ended 31 December 2019.

The Group has adopted the new and revised Malaysian Financial Reporting Standards (“MFRSs”), amendments to published standards and IC Interpretations that became mandatory for the current reporting period. The adoption of these new and revised MFRSs, amendments to published standards and IC Interpretations does not result in significant changes in the accounting policies of the Group.

A3. AUDITORS REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no audit qualification on the annual financial statements of JAG for the financial year ended 31 December 2019.

A4. SEASONAL AND CYCLICAL FACTORS

The Group’s business operations were mainly attributable (i.e., contributing approximately 98% of its total revenue) from its manufacturing and trading segments involving recycling and recovery activities, which are affected by the cyclicity of the semiconductor. The semiconductor industry, in turn, is cyclical and dependent on its end user industries, in particular the electrical & electronic industries. The demand for semiconductors typically mirrors the trend in the demand for personal computers, mobile phones and other electronic equipment.

As the availability of electrical and electronic waste (“E-waste”) for recycling and manufacturing services is dependent on the volume of E-waste discharged by semiconductor manufacturers, the E-waste recycling industry is also dependent on the trends in the semiconductor industry.

A5. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial quarter and period under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates that have had effect on the current financial quarter and period under review.

QUARTERLY REPORT

Notes on the quarterly report for the financial period ended 30 June 2020

A7. ISSUANCES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

Save as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter and period ended 30 June 2020:

- (i) The Company has repurchased 28,300,000 of its issued ordinary shares from open market at average price of RM0.0423 per share. The purchases were financed by internally generated funds, and retained as treasury shares of the Company.

As at 30 June 2020, the number of treasury shares held were 29,300,000 ordinary share with the carrying amount of RM1,296,500.

A8. DIVIDEND

There were no dividend being declared, recommended or paid during the financial quarter and period under review.

A9. SEGMENT INFORMATION

The Group’s segmental information is as follows:

	Current Quarter Ended		Year to date	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM’000	RM’000	RM’000	RM’000
Revenue by business segments				
Manufacturing and trading activities	29,035	31,877	65,435	56,354
Proprietary solutions and software maintenance	-	165	108	343
Investment holding	106	-	106	59
Services	268	946	1,156	1,787
	<u>29,409</u>	<u>32,988</u>	<u>66,805</u>	<u>58,543</u>
Elimination of inter-segment sales	-	-	-	-
	<u>29,409</u>	<u>32,988</u>	<u>66,805</u>	<u>58,543</u>

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Notes on the quarterly report for the financial period ended 30 June 2020

A9. SEGMENT INFORMATION (CONTINUED)

	Current Quarter Ended		Year to date	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Segment results				
Manufacturing and trading activities	1,468	(1,242)	5,332	(6,124)
Investment holding	1,627	(341)	(210)	(784)
Proprietary solutions and software maintenance	(1)	20	(42)	(6)
Services	(567)	113	(556)	102
Property development	(101)	(1,680)	(263)	(1,929)
Profit/(Loss) from operations	2,426	(3,130)	4,261	(8,741)
Interest income	36	55	111	124
Finance cost	(415)	(345)	(737)	(680)
Profit/(Loss) before taxation	2,047	(3,420)	3,635	(9,297)
Taxation	-	(330)	(60)	(660)
Profit/(Loss) after taxation	2,047	(3,750)	3,575	(9,957)
Revenue By Geographical Segment				
Malaysia	1,772	9,332	6,666	17,811
Foreign countries	27,637	23,656	60,139	40,732
	29,409	32,988	66,805	58,543
			As at 30 June 2020	As at 31 Dec 2019
			RM'000	RM'000
Segment assets				
Manufacturing and trading activities			151,141	151,099
Investment holding			154,992	155,329
Proprietary solutions and software maintenance			-	2,667
Services			9,092	10,315
Property development			34,837	36,689
			350,062	356,099
Elimination			(151,985)	(154,577)
			198,077	201,522
Segment liabilities				
Manufacturing and trading activities			56,177	61,010
Investment holding			6,324	4,959
Proprietary solutions and software maintenance			-	4,792
Services			9,035	9,592
Property development			43,544	44,995
			115,080	125,348
Elimination			(71,232)	(75,677)
			43,848	49,671

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no valuation or revaluation of property, plant and equipment during the current financial quarter and period under review and the valuation of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

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Notes on the quarterly report for the financial period ended 30 June 2020

A11. MATERIAL EVENTS SUBSEQUENT TO THE CURRENT FINANCIAL QUARTER

On 6 August 2020, the wholly owned subsidiary of the Company, JAG Renewable Energy Sdn Bhd (“JAG RE”) entered into a Commercial Agreement with RH Silver Sdn Bhd [Registration No. 201301010667 (1040509-H)] (“RHSSB”), to lease in respect of lands from RHSSB, situated at PT 18596 & PT 18597, Mukim Lumut, Daerah Manjung, Perak held under Hakmilik Sementara HS(D) 42634 and Hakmilik HS(D) 42635, for the intended purpose of development the Large Scale Solar Facility subject to the award by the Energy Commission Malaysia under the LSS@ME nTARI programme during the lease term.

Save as disclosed above, there were no material events subsequent to the current financial quarter and period ended 30 June 2020 up to the date of this report.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

Save as disclosed below, there were no other changes and/or intended changes in the composition of the Group during the current financial quarter and period under review:

- (i) On 1 April 2020, the Company entered into a Share Sale Agreement for the disposal of 758,000 ordinary shares, representing 100% equity interest held in JAG Systems Sdn Bhd [Registration No. 199401011708 (297387-W)] (“JAG System”) to Ms Fan Mee Mee and Mr Fan Soon Hee, for a total cash consideration of RM280,000 (Ringgit Malaysia Two Hundred and Eighty Thousand only) (“Disposal”). The said disposal was completed on 29 July 2020 and JAG System ceased to be a subsidiary of the Company.
- (ii) On 9 July 2020, the Company has incorporated a wholly-owned subsidiary, JAG Renewable Energy Sdn Bhd (“JAG RE”). JAG RE is a private limited company with an issued share capital of RM1,000,000 comprising 1,000,000 ordinary shares. JAG RE has not commenced business since its operation. The intended activity of JAG RE is to involve in production and manufacturing of renewable energy business.

A13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no changes in the contingent liabilities and contingent assets during the current financial quarter and period review.

A14. CAPITAL COMMITMENTS

As at 30 June 2020, the Board is not aware of any material commitment incurred or known to be incurred by the Company or the Group, which may have material impact on the financial position of the Group.

A15. SIGNIFICANT RELATED PARTY TRANSACTIONS

There were no significant related party transactions during the current financial quarter and period under review.

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Notes on the quarterly report for the financial period ended 30 June 2020

Part B - Explanatory Notes Pursuant to Appendix 9B of the ACE LR

B1. REVIEW OF PERFORMANCE

The Group recorded revenue of approximately RM29.4 million for the current financial quarter and RM66.8 million for the financial period ended 30 June 2020. Export sales accounted for about RM27.6 million and RM60.1 million or 94% and 91% of total revenue for the current financial quarter and financial period ended 30 June 2020, respectively.

The Group recorded a decrease in revenue of 10.9% in current financial quarter as compared to previous corresponding financial quarter ended 30 June 2019. This was mainly due to the Company had temporary halted the operations during the first phase of Movement Control Order (“MCO”) from 18 March 2020 to 21 April 2020. The operations of the TWM division were only allowed to resume the operations with reduced workforce on 19 April 2020 and fully resume operations on 22 April 2020. During the period of MCO, it impacted the Company’s processing processes including collection of waste and transportation, thus, it directly impacted the Group revenue as well.

However, the Group managed to record an increase in revenue of 14.1% in current financial period ended 30 June 2020 as compared to previous corresponding financial quarter ended 30 June 2020. It was mainly due to higher sales of copper, palladium, silver, gold and nickel in current financial period compared to the previous year corresponding financial period.

The Group recorded profit after tax of RM2 million and RM3.6 million in current financial quarter and period respectively as compared to loss after tax of RM3.8 million and RM9.3 million in previous corresponding financial quarter and period. The improved performance for the current financial period mainly contributed from the improved revenue as well as benefitted from uptrend of commodities and precious metals price which improved margins was reported in the financial period ended 30 June 2020.

In addition, absence of recognition of one off impairment loss on investment properties in corresponding financial period ended 30 June 2019 as well as lower operating expenses in the financial quarter does also contributed to the improvement of the financial performance.

In respect of the significant increase in other income in current financial quarter by 407%, it was mainly due to the fair value adjustment on the investment held by the Group. The market value of quoted shares held by the investment holding division closed high as at 30 June 2020 as compared to immediate preceding quarter 31 March 2020, thus it resulted in fair value gain on investment held in current financial quarter ended 30 June 2020.

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Notes on the quarterly report for the financial period ended 30 June 2020

B2. COMPARISON OF CURRENT FINANCIAL QUARTER RESULTS WITH THE PRECEDING QUARTER

	Current Quarter 30 June 2020	Immediate Preceding Quarter 31 March 2020	Changes
	RM'000	RM'000	%
Revenue	29,409	37,396	-21.4
Other income	2,214	474	367.1
Other operating expenses	1,934	4,092	-52.7
Profit after taxation	2,047	1,528	34.0

The Group recorded lower revenue of RM29.4 million for the current financial quarter ended 30 June 2020 compared to preceding financial quarter ended 31 March 2020 of RM37.4 million. This was mainly due to the Company had temporarily halted the operations during the first phase of Movement Control Order (“MCO”) from 18 March 2020 to 21 April 2020. The operations of the TWM division were only allowed to resume the operations with reduced workforce on 19 April 2020 and fully resume operations on 22 April 2020. During the period of MCO, it impacted the Company’s processing processes including collection of waste and transportation, thus, it directly impacted the Group revenue as well.

Higher other operating expenses incurred in immediate preceding financial quarter ended 31 March 2020 was mainly due to the recognition of fair value loss on investment held of RM1.6 million resulted from lower market price of shares invested by the Group. However, the market price of investment held by the Group had closed relatively higher as at 30 June 2020 as compared to 31 March 2020. This had resulted in recognition in fair value gain on investment held of RM1.6 million which explained the increased in other income and improved profit after tax in the current financial quarter.

B3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020

Looking forward, financial year 2020 will be a challenging period for many market participants as the global economy has been significantly affected by the Covid-19 pandemic.

The price of commodities especially precious metals such as gold, silver, platinum and palladium have been on a market uptrend since March 2020 up to current date of this report. The Management views the positive movement benefits the financial performance of the manufacturing and trading division. However, any fluctuations in exchange rates and commodity prices will continue to have an impact on the Group’s financial performance and position.

The manufacturing and trading division of the Group continues to be the major revenue and profit contributor in financial year 2020. In order to remain competitive in the waste management industry, sourcing for materials or waste is the biggest challenge for full recovery plant licensed holders. The Management believes that the approach, know-how and advanced waste management facility maintained by the Group will sustain the market position of the Company. Furthermore, the continuing efforts of the R&D team to acquire more know-how will certainly strengthen the competitive advantage of the Company.

For the property development division, the real estate outlook in 2020 could likely remain subdued. However, Bank Negara Malaysia reduced interest rate three times in 2020, which will create a cheaper mortgage loan, and in turn benefit home purchasers. The Group will continue positioning itself as a boutique developer. The Management will review, monitor and analyse the on-going projects as well as market conditions to ensure the projects meet the demand of the market.

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Notes on the quarterly report for the financial period ended 30 June 2020

B4. VARIANCE OF FORECAST PROFIT AND PROFIT GUARANTEE

The Group has not provided any profit forecast or profit guarantee and thus this is not applicable to the Group.

B5. TAXATION

	Current Quarter		Year to date	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Income tax	-	(90)	(60)	(180)
Deferred tax	-	(240)	-	(480)
	<u>-</u>	<u>(330)</u>	<u>(60)</u>	<u>(660)</u>

The effective tax rate of the Group for current financial quarter and year ended 31 December 2020 are lower than the statutory tax rate of 24% due to availability of reinvestment allowance which arose from the capital expenditure of a subsidiary in the current financial quarter and period under review.

B6. STATUS OF CORPORATE PROPOSALS

On 16 June 2020, the Company proposed to undertake a proposed share consolidation involving the consolidation of every 4 existing ordinary shares in JAG into 1 ordinary share in JAG. The said proposal had been approved by the shareholder in the Extraordinary General Meeting held on 5 August 2020. The effective date of share consolidation will be on 25 August 2020.

Save as above, there were no corporate proposals announced but not completed as at 21 August 2020, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarter report.

B7. STATUS OF UTILISATION OF PROCEEDS RAISED FROM PRIVATE PLACEMENT

- (i) The gross proceeds of RM7,647,550 raised from the Private Placement on 11 October 2018 is for the Group's development project, "ARCA". Followed the announcement on 15 November 2019 on the variation of utilisation of proceeds, the utilisation are as below:

	Revised utilisation RM'000	Actual utilisation RM'000	Balance proceeds RM'000	Revised timeframe for utilisation
Property Development Expenditure	3,782	3,023	759	24 months
Property Development Expenditure ("New Project")*	3,266	1,469	1,797	24 months
Working Capital	360	360	-	24 months
Estimated expenses in relation to the Private Placements	240	240	-	-
Total	7,648	5,092	2,556	

* refer to upcoming development project in Kemuning Utama's land

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Notes on the quarterly report for the financial period ended 30 June 2020

B7. STATUS OF UTILISATION OF PROCEEDS RAISED FROM PRIVATE PLACEMENT (CONTINUED)

(ii) The actual utilisation of the total gross proceeds of RM9,495,875 raised from the 20% private placement on 13 December 2019 and 30 December 2019 as below:

	Proposed utilisation RM'000	Actual utilisation RM'000	Balance proceeds RM'000	Intended timeframe for utilisation
Project development cost	2,000	-	2,000	12 months
Purchase of machinery	3,870	3,870	-	12 months
Working Capital	3,366	3,366	-	12 months
Estimated expenses in relation to the Private Placements	260	260	-	within 1 month
Total	9,496	7,496	2,000	

B8. GROUP BORROWINGS

The Group's borrowings as at 30 June 2020 (all denominated in Ringgit Malaysia) are as follows:-

	As at 30 June 2020 RM'000	As at 31 Dec 2019 RM'000
Short term borrowing (secured)		
Term loan	2,485	2,824
Overdraft	3,280	4,109
Lease liabilities	1,355	1,840
	7,120	8,773
Long term borrowing (secured)		
Term loan	15,804	16,170
Lease liabilities	3,827	4,632
	19,631	20,802
Total	26,751	29,575

	As at 30 June 2020 %	As at 31 Dec 2019 %
The effective interest rate are as follows:		
Term loan	6.93	6.93
Overdraft	8.95	10.20
Hire purchase liabilities	4.62	4.62
Other lease liabilities	5.00	5.00
Proportion of borrowings between fixed and floating interest rates	22 : 78	22 : 78

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Notes on the quarterly report for the financial period ended 30 June 2020

B9. DERIVATIVE FINANCIAL INSTRUMENTS

(I) Disclosure of derivatives

As at 30 June 2020, the Group has the following derivative financial instrument:

Type of derivative	Contract value RM'000	Fair value RM'000	Fair value loss RM'000
Forward foreign exchange contracts			
- Less than 1 year	854	801	53

The Group uses forward foreign exchange contracts to manage some of the transactions exposure of the Group's sales denominated in USD.

There are no cash requirement risks as the Group only uses forward foreign currency contracts as its hedging instruments.

There have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's management objectives, accounting policies and processes.

(II) Disclosure of gains/losses arising from fair value changes of financial assets/liabilities

The Group determines the fair value of the derivative financial instruments relating to the forward foreign exchange contracts by using the difference between the contracted foreign exchange rates and the market forward rates. The basis of fair value measurement is the difference between the contracted value and the market forward rates and market price.

This resulted in the Group recorded a gain when the rates moved favourable against the Group or recorded a loss when the rates moved unfavourable against the Group.

B10. MATERIAL LITIGATION

There was no pending material litigation as at the date of this announcement.

B11. DIVIDEND

There were no dividend being declared, recommended or paid during the financial quarter and year under review.

QUARTERLY REPORT

Notes on the quarterly report for the financial period ended 30 June 2020

B12. NOTES TO THE STATEMENTS OF COMPREHENSIVE INCOME

	Current Quarter		Year to date	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Allowance for impairment of receivables	-	720	-	767
Allowance for impairment of receivables no longer required	(10)	-	(21)	
Changes in fair value of derivative financial instruments	(103)	4	65	4
Changes in fair value on other investments	(1,633)	(178)	(58)	141
Depreciation of property, plant and equipment and right of use assets	1,601	1,623	3,143	3,226
Dividend income	-	(23)	(58)	(124)
Gain on disposal of fixed assets	(55)	(93)	(66)	(183)
(Gain)/Loss on foreign exchange – unrealised	(19)	67	184	422
Gain on foreign exchange – realised	(19)	(68)	52	(69)
Government grant income	(35)	(35)	(70)	(70)
Impairment loss on investment properties	-	950	-	950
Inventory written down	-	479	-	479
Income distribution from quoted fund	-	(14)	-	(35)
Interest income	(36)	(55)	(112)	(124)
Interest expenses				
- Hire purchase	21	22	39	45
- Overdraft	34	138	126	258
- Term loan	305	127	458	262
- Unwinding interest	1	1	2	2
- Implicit interest of lease liabilities	54	57	113	113

QUARTERLY REPORT

Notes on the quarterly report for the financial period ended 30 June 2020

B13. EARNINGS/(LOSS) PER SHARE

- (i) Basic earnings/(loss) per share

The basic earnings/(loss) per share was calculated by dividing the net profit/(loss) for the current financial quarter and year by the weighted average number of ordinary shares in issue:

	Current Quarter Ended		Year to date	
	30 June 2020 RM	30 June 2019 RM	30 June 2020 RM	30 June 2019 RM
Net profit/(loss) attributable to owners of the Company (RM'000)	2,171	(3,741)	3,709	(9,957)
Weighted average number of ordinary shares in issue ('000)	1,789,306	1,514,731	1,799,527	1,514,731
Basic earnings/(loss) per share (sen)	0.12	(0.25)	0.21	(0.66)

- (ii) Diluted earnings per share

Diluted earnings per share are not presented in the quarterly report as at 30 June 2020 as the fair value of the ordinary shares of the Company during the reporting period is lower than the exercise price of the outstanding warrants and options under the employee Share Issue Scheme. These potential ordinary shares have a dilutive effect only if the fair value of the ordinary shares during the reporting period exceeds the exercise price of these potential ordinary shares.

B14. AUTHORISED FOR ISSUE

This interim financial statement was authorised for issue by the Board on 24 August 2020 in accordance with a resolution of the directors.

BY ORDER OF THE BOARD,

CHENG CHIA PING
(MAICSA 1032514 PRACTITIONER)
COMPANY SECRETARY

24 August 2020