

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2017

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Revenue	395,252	401,409	782,886	759,418
Cost of sales	(324,454)	(314,177)	(646,404)	(609,272)
Gross profit	70,798	87,232	136,482	150,146
Operating expenses	(17,342)	(16,455)	(34,036)	(32,332)
Other operating income	5,928	8,773	9,991	17,648
Profit from operation	59,384	79,550	112,437	135,462
Interest income	782	384	1,282	701
Finance costs	(737)	(336)	(1,696)	(744)
Profit before taxation	59,429	79,598	112,023	135,419
Taxation	(10,623)	(12,439)	(19,390)	(18,651)
Profit for the period	48,806	67,159	92,633	116,768
Attributable to:				
Owners of the company	41,201	54,981	77,443	94,702
Non-controlling interests	7,605	12,178	15,190	22,066
Profit for the period	48,806	67,159	92,633	116,768
Earnings per ordinary share (sen): -				
(a) Basic	21.69	28.95	40.77	49.86
(b) Fully diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2017.

Malaysian Pacific Industries Berhad (4817-U)

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MALAYSIAN PACIFIC INDUSTRIES BERHAD (4817-U)
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ENDED 31 DECEMBER 2017

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2017 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year-	Preceding Year
	Quarter	Corresponding	To-Date	Corresponding
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Profit for the period	48,806	67,159	92,633	116,768
Foreign currency translation differences for foreign operations	(8,433)	17,065	(10,161)	27,466
Cash flow hedge	1,529	(12,606)	1,714	(18,645)
Total comprehensive income for the period	41,902	71,618	84,186	125,589
Total comprehensive income attributable to:				
Owners of the Company	33,845	62,380	68,512	108,012
Non-controlling interests	8,057	9,238	15,674	17,577
Total comprehensive income for the period	41,902	71,618	84,186	125,589

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2017.

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/12/2017 RM'000	30/06/2017 RM'000
Property, plant and equipment	661,289	671,193
Investment properties	32,034	32,499
Investments	46	46
Total non-current assets	693,369	703,738
Inventories	114,624	110,819
Trade and other receivables	241,300	275,772
Tax Recoverable	2,344	4,514
Deposits, cash and bank balances	596,639	535,793
Total current assets	954,907	926,898
TOTAL ASSETS	1,648,276	1,630,636
Equity attributable to owners of the Company		
Share capital	352,373	352,373
Reserves	981,547	931,435
Treasury shares, at cost	(163,816)	(163,816)
	1,170,104	1,119,992
Non-controlling interests	212,725	208,965
TOTAL EQUITY	1,382,829	1,328,957
Borrowings (unsecured)	40,495	28,553
Deferred tax liabilities	2,513	2,003
Employee benefits	245	245
Total non-current liabilities	43,253	30,801
Trade and other payables	210,158	205,459
Borrowings (unsecured)	8,722	63,450
Current tax liabilities	3,314	1,969
Total current liabilities	222,194	270,878
TOTAL LIABILITIES	265,447	301,679
TOTAL EQUITY AND LIABILITIES	1,648,276	1,630,636
Net assets per share attributable to owners of the Company (RM)	6.16	5.90

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2017.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

	← Attributable to owners of the Company →								Total	Non-controlling interests	Total equity	
	← Non-distributable →				Distributable							
	Share capital	Share premium	Other reserve	Hedging reserve	Exchange fluctuation reserve	Reserve for own shares	Executive share scheme reserve	Treasury shares				Retained earnings
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Current year- to-date ended 31 December 2017												
At 1 July 2017	352,373	-	19,256	1,177	93,602	(53,833)	1,987	(163,816)	869,246	1,119,992	208,965	1,328,957
Profit for the period	-	-	-	-	-	-	-	-	77,443	77,443	15,190	92,633
Other comprehensive income/(expense)	-	-	-	-	-	-	-	-	-	-	-	-
-foreign currency translation differences	-	-	-	-	(10,161)	-	-	-	-	(10,161)	-	(10,161)
-cash flow hedge	-	-	-	1,230	-	-	-	-	-	1,230	484	1,714
Total comprehensive income/(expenses) for the period	-	-	-	1,230	(10,161)	-	-	-	77,443	68,512	15,674	84,186
Dividend	-	-	-	-	-	-	-	-	(19,001)	(19,001)	(12,300)	(31,301)
Share-based payments	-	-	-	-	-	-	139	-	-	139	386	525
ESS shares exercised	-	-	-	-	-	790	(103)	-	(225)	462	-	462
Total transaction with owners	-	-	-	-	-	-	36	-	(19,226)	(18,400)	(11,914)	(30,314)
At 31 December 2017	352,373	-	19,256	2,407	83,441	(53,043)	2,023	(163,816)	927,463	1,170,104	212,725	1,382,829

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017 (Cont'd)

	← Attributable to owners of the Company →								Total	Non-controlling interests	Total equity	
	← Non-distributable				→ Distributable							
	Share capital	Share premium	Other reserve	Hedging reserve	Exchange fluctuation reserve	Reserve for own shares	Executive share scheme reserve	Treasury shares	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Preceding year corresponding period ended 31 December 2016												
At 1 July 2016	104,942	247,431	16,414	5,327	75,361	(53,833)	2,367	(163,816)	745,453	979,646	190,470	1,170,116
Profit for the period	-	-	-	-	-	-	-	-	94,702	94,702	22,066	116,768
Other comprehensive (expenses)/income												
-foreign currency translation differences	-	-	-	-	27,466	-	-	-	-	27,466	-	27,466
-cash flow hedge	-	-	-	(14,156)	-	-	-	-	-	(14,156)	(4,489)	(18,645)
Total comprehensive (expenses)/income for the period	-	-	-	(14,156)	27,466	-	-	-	94,702	108,012	17,577	125,589
Dividend	-	-	-	-	-	-	-	-	(15,194)	(15,194)	(10,050)	(25,244)
Share-based payment	-	-	-	-	-	-	(872)	-	-	(872)	(540)	(1,412)
Total transaction with Owners	-	-	-	-	-	-	(872)	-	(15,194)	(16,066)	(10,590)	(26,656)
At 31 December 2016	<u>104,942</u>	<u>247,431</u>	<u>16,414</u>	<u>(8,829)</u>	<u>102,827</u>	<u>(53,833)</u>	<u>1,495</u>	<u>(163,816)</u>	<u>824,961</u>	<u>1,071,592</u>	<u>197,457</u>	<u>1,269,049</u>

Dividends received by the trust set up for the Executive Share Scheme ("ESS") ("ESS Trust") amounted to RM889,000 (2016/2017: RM717,600) are eliminated against the dividend expense of the Company following the consolidation of ESS Trust.

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2017.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2017

	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2017 RM'000	31/12/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	112,023	135,419
Adjustments for:-		
Depreciation and amortisation	93,195	94,958
Dividend income	(6,701)	(3,851)
Non-cash items	1,305	7,449
Net financing cost	414	43
Operating profit before changes in working capital	200,236	234,018
Changes in working capital		
Net change in current assets	25,936	(85,615)
Net change in current liabilities	13,823	27,812
Taxation paid	(15,763)	(16,088)
Net financing costs paid	(414)	(43)
Dividend received	6,701	3,851
Net cash generated from operating activities	230,519	163,935
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(90,029)	(40,020)
Proceeds from disposal of property, plant and equipment	1,074	1,929
Net cash used in investing activities	(88,955)	(38,091)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owner of the company	(19,001)	(15,194)
Dividend paid to non-controlling shareholders of a subsidiary	(12,300)	(10,050)
Drawdown of borrowings	22,113	20,000
Repayments of borrowings	(68,530)	(35,503)
Proceeds from disposal of trust shares	462	-
Net cash used in financing activities	(77,256)	(40,747)
NET CHANGE IN CASH AND CASH EQUIVALENTS	64,308	85,097
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	535,793	317,339
EFFECT ON FOREIGN EXCHANGE	(3,462)	4,522
CASH & CASH EQUIVALENTS AT END OF PERIOD	596,639	406,958

Cash and cash equivalents included in the consolidated statements of cash flows comprise the following consolidated statements of financial position amounts:

	31/12/2017 RM'000	31/12/2016 RM'000
Deposits, cash and bank balances	596,639	406,958

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2017.

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1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2017. This interim financial report also complies with International Accounting Standards 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The accounting policies and presentation adopted for this interim report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2017 except for the adoption of MFRS 9 Financial Instruments on 1 July 2017. The adoption of MFRS 9 does not have any material impact on the financial statements of the Group except for the following:

- **Classification of financial assets and financial liabilities**

Equity investments held by the Group were previously classified as fair value through profit or loss and available for sale where the fair value gains or losses were recognised in the profit or loss and other comprehensive income respectively. The fair value gain or loss recognised in other comprehensive income was recycled to profit or loss upon disposal of the financial asset. In accordance with MFRS 9, the Group’s equity investments are measured at fair value, and the Group elected to recognise the fair value gain or loss in the other comprehensive income. Such fair value gain or loss is not permitted to be recycled to profit or loss upon disposal of the equity instrument.

The Group has also adopted the MFRSs, amendments and interpretations effective for annual period beginning on or after 1 January 2017 where applicable to the Group. The initial adoption of these applicable MFRSs, amendments and interpretations do not have any material impact on the financial statements of the Group.

2. Qualification of audit report of the preceding annual financial statements

The audit report for the preceding annual financial statements was not qualified.

3. Seasonality or cyclicity of interim operations

There has been no material seasonal or cyclical factor affecting the results of the quarter under review.

4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the quarter under review and financial year-to-date.

5. Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years

There were no changes in estimates of amounts reported in the prior financial years.

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6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

- (a) There were no additional shares bought back during the quarter under review and financial year-to-date. The total number of shares bought back as at 31 December 2017 was 10,988,000 shares and the shares are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016.
- (b) During the quarter under review, a total of 80,000 ordinary shares in the Company held in the ESS Trust were transferred to an option holder arising from the exercise of options pursuant to the Executive Share Scheme (“ESS”).

There were no additional shares purchased by the ESS Trust during the quarter under review and financial year-to-date.

As at 31 December 2017, the total number of shares held by the ESS Trust was 8,890,000 shares.

There were no issuance of shares, shares cancellation, resale of treasury shares or repayment of debt or equity securities during the quarter under review and financial year-to-date.

7. Dividend paid

During the financial year-to-date, the Company paid an interim single tier dividend of 10.0 sen per share amounted to RM19.9 million on 8 December 2017.

8. Operating Segments

The Group’s segmental report for the financial year-to-date is as follows:-

	Asia RM’000	United States of America (“USA”) RM’000	Europe RM’000	Total RM’000
Segment profit	68,211	17,933	22,949	109,093
Included in the measure of segment profit are:				
Revenue from external customers	445,117	149,467	185,189	779,773
Depreciation and amortisation	55,913	18,010	19,204	93,127
Reconciliation of segment profit				
Profit				RM’000
Reportable segments				109,093
Non-reportable segments				3,344
Interest income				1,282
Finance costs				(1,696)
Consolidated profit before taxation				112,023
			External revenue RM’000	Depreciation and amortisation RM’000
Reportable segments			779,773	93,127
Non-reportable segments			3,113	68
Total			782,886	93,195

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9. Material events not reflected in the financial statements

There are no material subsequent events to be disclosed as at the date of this report.

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

11. Review of performance

For the quarter under review, the Group recorded revenue of RM395.3 million and profit before taxation ("PBT") of RM59.4 million as compared with revenue and PBT of RM401.4 million and RM79.6 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2017. Revenue for the Asia segment was higher by 3% whilst the USA and the Europe segments were both lower by 9% and 5% respectively against the corresponding quarter of the preceding year.

The Group's revenue for the financial year-to-date was RM782.9 million, 3% higher as compared with a revenue of RM759.4 million for the preceding year's corresponding period. Revenue for the Asia segment was higher by 7%, the USA segment was flat whilst the Europe segment was lower by 5% against the preceding year's corresponding period. PBT for the financial year-to-date closed at RM112 million against RM135.4 million in the corresponding period of the preceding year.

The lower PBT for the quarter and financial year-to-date under review were mainly due to higher material cost arising from commodity price surge and unfavourable foreign exchange difference.

12. Material changes in profit before taxation against the immediate preceding quarter

The Group's revenue for the quarter under review was RM395.3 million against the preceding quarter of RM387.6 million. Revenue for the Asia segment was flat, the USA segment was lower by 5% whilst the Europe segment was higher by 12% against the preceding quarter.

For the quarter under review, the Group recorded PBT of RM59.4 million as compared with PBT of RM52.6 million in the preceding quarter. The higher PBT for the quarter under review was mainly due to higher revenue.

13. Prospects

The Board anticipates the industry to grow moderately in the coming quarters. Barring any unforeseen circumstances, the Board expects the performance of the Group to be satisfactory for the financial year ending 30 June 2018.

14. Profit forecast / profit guaranteed

This note is not applicable.

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15. Profit before taxation

	Current Year Quarter	Current Year- to-date
	31/12/2017 RM'000	31/12/2017 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Gross dividend income from short term investments	(3,187)	(6,701)
Depreciation and amortization	44,895	93,195
Impairment and write off of trade receivables	94	190
(Gain)/loss on foreign exchange	(366)	1,930
Fair value gain on derivatives	(727)	(1,720)
Share-based payments	716	525
Provision for and write off of inventories	2,025	2,810
Impairment of property, plant and equipment	-	-
Gain on disposal of quoted /unquoted investments or properties	-	-

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To-date	Corresponding Period
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Current taxation				
Malaysian				
- current year	5,631	6,548	10,121	12,860
		6,548	10,121	12,860
Overseas				
- current year	4,992	5,955	9,237	7,853
- prior years	-	(64)	32	(2,062)
	4,992	5,891	9,269	5,791
	10,623	12,439	19,390	18,651

The Group's effective tax rate for the quarter under review is lower than statutory tax rate mainly due to tax incentive granted to subsidiaries of the Company.

17. Corporate proposals

There are no corporate proposals announced but not completed as at the date of this report.

18. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 31 December 2017 are as follows:-

	RM'000
Unsecured short term borrowings	8,722
Unsecured long term borrowings	40,495
	<u>49,217</u>

The above include borrowings denominated in foreign currencies as follows: -

Chinese Yuan	<u>49,217</u>
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19. **Changes in material litigation**

There are no material litigations as at the date of this report.

20. **Dividend**

- (a) The Board does not recommend any interim dividend for the quarter ended 31 December 2017 of the financial year ending 30 June 2018 (2nd quarter 2016/2017: Nil).
- (b) For the financial year-to-date, a total single tier dividend of 10.0 sen per share (2016/2017: single tier dividend of 8.0 sen) has been declared.

21. **Earnings per ordinary share**

(a) **Basic earnings per ordinary share**

The basic earnings per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company of RM41,201,000 (2nd quarter 2016/2017: RM54,981,000) by the weighted average number of ordinary shares during the quarter of 189,987,289 (2nd quarter 2016/2017: 189,926,419).

The basic earnings per ordinary share for financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company of RM77,443,000 (2016/2017: RM94,702,000) and the weighted average number of ordinary shares during the period of 189,956,854 (2016/2017 : 189,926,419).

	Weighted average number of ordinary shares			
	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year to-date	Preceding Year Corresponding Period
	31/12/2017 '000	31/12/2016 '000	31/12/2017 '000	31/12/2016 '000
Issued ordinary shares at beginning of period	209,884	209,884	209,884	209,884
Treasury shares held at beginning of period	(10,988)	(10,988)	(10,988)	(10,988)
ESS Trust Shares held at beginning of period	(8,970)	(8,970)	(8,970)	(8,970)
	189,926	189,926	189,926	189,926
Effect of disposal of ESS Trust Shares	61	-	31	-
Weighted average number of ordinary shares (basic)	189,987	189,926	189,957	189,926

b) **Diluted earnings per ordinary share**

The Group's diluted earnings per ordinary share in the quarter under review/financial year-to-date approximates its basic earnings per ordinary share.

The Group has no dilution in its earnings per ordinary share in the preceding year corresponding quarter/period as there were no dilutive potential ordinary shares.

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22. Derivatives

The Group has entered into a number of forward foreign exchange contracts by subsidiaries to hedge the cash flow risk in relation to the variations of cash flows arising from future forecasted transactions.

The forward foreign exchange contracts are stated at fair value using observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

As at 31 December 2017, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Contract amount	Fair Value Assets / (Liabilities)
	RM'000	RM'000
Less than 1 year	<u>193,831</u>	<u>6,188</u>

Derivatives (which are classified as financial assets/liabilities) categorised as fair value through profit or loss are subsequently measured at their fair values with the gains/losses recognised in profit or loss. Gains/losses arising from fair value changes of derivatives is as disclosed in Note 15.

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the previous financial year ended 30 June 2017.

23. Gains/losses arising from fair value changes of financial liabilities

Other than derivatives which are classified as financial liabilities when they are at fair value loss position, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

By Order of the Board
Malaysian Pacific Industries Berhad

Joanne Leong Wei Yin
Lee Wui Kien
Company Secretaries

Kuala Lumpur
29 January 2018