

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2018

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Revenue	398,162	395,252	811,918	782,886
Cost of sales	(318,510)	(324,454)	(654,293)	(646,404)
Gross profit	79,652	70,798	157,625	136,482
Operating expenses	(18,723)	(17,342)	(35,697)	(34,036)
Other operating (expenses)/income	(675)	5,928	2,089	9,991
Profit from operation	60,254	59,384	124,017	112,437
Interest income	913	782	1,364	1,282
Finance costs	(1,007)	(737)	(1,971)	(1,696)
Profit before taxation	60,160	59,429	123,410	112,023
Taxation	(10,588)	(10,623)	(20,557)	(19,390)
Profit for the period	49,572	48,806	102,853	92,633
Profit attributable to:				
Owners of the Company	39,225	41,201	81,503	77,443
Non-controlling interests	10,347	7,605	21,350	15,190
Profit for the period	49,572	48,806	102,853	92,633
Earnings per ordinary share (sen): -				
(a) Basic	20.64	21.69	42.89	40.77
(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 2018.

Malaysian Pacific Industries Berhad (4817-U)

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MALAYSIAN PACIFIC INDUSTRIES BERHAD (4817-U)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2018

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2018 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Profit for the period	49,572	48,806	102,853	92,633
Foreign currency translation differences for foreign operations	(26)	(8,433)	(1,582)	(10,161)
Cash flow hedge	3,018	1,529	(243)	1,714
Total comprehensive income for the period	52,564	41,902	101,028	84,186
Total comprehensive income attributable to:				
Owners of the Company	41,665	33,845	79,678	68,512
Non-controlling interests	10,899	8,057	21,350	15,674
Total comprehensive income for the period	52,564	41,902	101,028	84,186

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 2018.

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2018

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/12/2018 RM'000	30/06/2018 RM'000
Property, plant and equipment	683,679	646,693
Investment properties	31,104	31,569
Investments	46	46
Deferred tax assets	9	-
Total non-current assets	<u>714,838</u>	<u>678,308</u>
Inventories	112,979	118,078
Trade and other receivables, including derivatives	223,030	248,865
Tax Recoverable	4,409	2,988
Deposits, cash and bank balances	746,395	647,621
Total current assets	<u>1,086,813</u>	<u>1,017,552</u>
TOTAL ASSETS	<u><u>1,801,651</u></u>	<u><u>1,695,860</u></u>
Equity attributable to owners of the Company		
Share capital	352,373	352,373
Reserves	1,060,884	998,989
Treasury shares	(163,816)	(163,816)
	<u>1,249,441</u>	<u>1,187,546</u>
Non-controlling interests	228,711	217,383
TOTAL EQUITY	<u>1,478,152</u>	<u>1,404,929</u>
Deferred tax liabilities	-	30
Employee benefits	245	245
Total non-current liabilities	<u>245</u>	<u>275</u>
Trade and other payables, including derivatives	241,631	210,558
Borrowings (unsecured)	69,150	75,030
Current tax liabilities	12,473	5,068
Total current liabilities	<u>323,254</u>	<u>290,656</u>
TOTAL LIABILITIES	<u>323,499</u>	<u>290,931</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,801,651</u></u>	<u><u>1,695,860</u></u>
Net assets per share attributable to owners of the Company (RM)	6.58	6.25

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2018.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018 (cont'd)

	← Attributable to owners of the Company →							Total	Non-controlling interests	Total equity	
	← Non-distributable				→ Distributable						
	Share capital	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	
Preceding year corresponding period 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/(expense) 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 payment	-	-	-	-	-	139	-	-	139	386	525
ESS shares exercised	-	-	-	-	790	(103)	-	(225)	462	-	462
Total transaction with owners of the Company	-	-	-	-	-	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

Dividends received by the trust set up for the Executive Share Scheme (“ESS”) (“ESS Trust”) amounted to RM889,000 (2017/2018: RM889,000) 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 2018.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2018

	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2018 RM'000	31/12/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	123,410	112,023
Adjustments for:-		
Depreciation and amortisation	86,206	93,195
Dividend income	(7,949)	(6,701)
Non-cash items	14,553	1,305
Net financing cost	607	414
Operating profit before changes in working capital	216,827	200,236
Changes in working capital		
Net change in current assets	41,046	25,936
Net change in current liabilities	7,749	13,823
Taxation paid	(14,539)	(15,763)
Net financing costs paid	(607)	(414)
Dividend received	7,949	6,701
Net cash generated from operating activities	258,425	230,519
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(127,584)	(90,029)
Proceeds from disposal of property, plant and equipment	10	1,074
Net cash used in investing activities	(127,574)	(88,955)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owner of the company	(19,001)	(19,001)
Dividend paid to non-controlling shareholders of a subsidiary	(10,500)	(12,300)
Drawdown from borrowings	12,010	22,113
Repayments of borrowings	(16,836)	(68,530)
Proceeds from disposal of trust shares	-	462
Net cash used in financing activities	(34,327)	(77,256)
NET CHANGE IN CASH AND CASH EQUIVALENTS	96,524	64,308
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	647,621	535,793
EFFECT OF EXCHANGE RATE FLUCTUATION ON CASH HELD	2,250	(3,462)
CASH & CASH EQUIVALENTS AT END OF PERIOD	746,395	596,639

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

	31/12/2018 RM'000	31/12/2017 RM'000
Deposits, cash and bank balances	746,395	596,639

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2018.

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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 2018. 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 2018 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018 which are applicable to the Group including MFRS 15 Revenue from Contracts with Customers. 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.

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 2018 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) There were no additional shares purchased by the ESS Trust during the quarter under review and financial year-to-date. As at 31 December 2018, the total number of shares held by the ESS Trust was 8,890,000 shares.

Subsequent to the quarter under review, a total of 50,000 existing ordinary shares in the Company (“MPI Shares”) held in the ESS Trust were transferred to an eligible executive arising from the vesting of MPI Shares free of consideration pursuant to the Executive Share Grant Scheme.

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.

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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 12 December 2018.

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	73,233	18,791	28,004	120,028
Included in the measure of segment profit are:				
Revenue from external customers	492,036	128,459	188,195	808,690
Depreciation and amortisation	56,378	12,714	17,047	86,139
Reconciliation of segment profit				
Profit				RM'000
Reportable segments				120,028
Non-reportable segments				3,989
Interest income				1,364
Finance costs				(1,971)
Consolidated profit before taxation				123,410
			External revenue RM'000	Depreciation and amortisation RM'000
Reportable segments			808,690	86,139
Non-reportable segments			3,228	67
Total			811,918	86,206

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 RM398.2 million and profit before taxation ("PBT") of RM60.2 million as compared with revenue and PBT of RM395.3 million and RM59.4 million respectively for the corresponding quarter of the preceding year ended 30 June 2018 ("FY2018"). Revenue for the Asia segment was higher by 8% whilst the USA and Europe segments were both lower by 18% and 1% against the corresponding quarter of FY2018.

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The Group's revenue for the financial year-to-date was RM811.9 million, 4% higher as compared with revenue of RM782.9 million for the preceding year's corresponding period. Revenue for the Asia and Europe segments were both higher by 11% and 2% respectively whilst the USA segment was lower by 14% against the preceding year's corresponding period. PBT for the financial year-to-date closed at RM123.4 million against RM112 million for the corresponding period of the preceding year.

The higher PBT for the quarter and year-to-date under review was mainly due to higher revenue.

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

The Group's revenue for the quarter under review was RM398.2 million against the preceding quarter of RM413.8 million. Revenue for the Asia and USA segments were both lower by 5% and 14% respectively whilst the Europe segment was higher by 6% against the preceding quarter.

For the quarter under review, the Group recorded PBT of RM60.2 million as compared with RM63.3 million for the preceding quarter. The lower PBT for the quarter under review was mainly due to lower revenue.

13. Prospects

The Board anticipates the operating environment to remain challenging due to uncertainty in the macro economy and hence, expects softer demands for the rest of the financial year ending 30 June 2019. The management will continue to enhance product development to strengthen the Group's position in the chosen sectors and improve our operational efficiencies.

14. Profit forecast / profit guaranteed

This note is not applicable.

15. Profit before taxation

	Current Year Quarter	Current Year- to-date
	31/12/2018 RM'000	31/12/2018 RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Gross dividend income from short term investments	(3,858)	(7,949)
Depreciation and amortization	44,166	86,206
Impairment and write off of trade receivables	90	180
Loss on foreign exchange	7,760	5,060
Fair value (gain)/loss on derivatives	(324)	2,046
Share-based payments	848	1,696
Provision for and write off of inventories	1,320	4,866
Impairment of property, plant and equipment	-	-
Gain on disposal of quoted /unquoted investments or properties	-	-

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16. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To-date	Corresponding Period
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Malaysian				
- current year	6,850	5,631	9,307	10,121
	6,850	5,631	9,307	10,121
Overseas				
- current year	3,739	4,992	11,299	9,237
- prior years	(1)	-	(49)	32
	3,738	4,992	11,250	9,269
	10,588	10,623	20,557	19,390

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 2018 are as follows:-

Unsecured short term borrowings	RM'000 69,150
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The above borrowings are denominated in Chinese Yuan.

19. **Changes in material litigation**

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

20. **Dividend**

- The Board does not recommend any interim dividend for the quarter ended 31 December 2018 of the financial year ending 30 June 2019 (2nd quarter 2017/2018: Nil).
- For the financial year-to-date, a total single tier dividend of 10.0 sen per share (2017/2018: single tier dividend of 10.0 sen) has been declared.

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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 RM39,225,000 (2nd quarter 2017/2018: RM41,201,000) by the weighted average number of ordinary shares during the quarter of 190,006,419 (2nd quarter 2017/2018: 189,987,289).

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 RM81,503,000 (2017/2018: RM77,443,000) and the weighted average number of ordinary shares during the period of 190,006,419 (2017/2018 : 189,956,854).

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
	31/12/2018 '000	31/12/2017 '000	31/12/2018 '000	31/12/2017 '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)
Trust Shares held at beginning of period	(8,890)	(8,970)	(8,890)	(8,970)
	190,006	189,926	190,006	189,926
Effect of disposal of ESS Trust Shares	-	61	-	31
Weighted average number of ordinary shares (basic)	190,006	189,987	190,006	189,957

b) Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the quarter under review/financial year-to-date and 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 2018, 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>182,390</u>	<u>(8,223)</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 2018.

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
Company Secretary

Kuala Lumpur
21 February 2019