MWE HOLDINGS BERHAD (5713-D)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018

	30.6.2018 Unaudited RM'000	31.3.2018 Audited RM'000
Assets		
Non-Current Assets		
Property, plant & equipment	94,829	92,506
Investment properties	58,379	58,379
Investment in associates	203,719	256,312
Other investments	179,970	163,111
Other non-current assets	42,222	42,482
	579,119	612,790
Current Assets		
Inventories	36,216	45,054
Trade and other receivables	68,101	64,161
Cash and bank balances	80,796	83,811
Other current assets	14,332	15,163
	199,445	208,189
Total assets	778,564	820,979

MWE HOLDINGS BERHAD (5713-D)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018 (Cont'd)

	30.6.2018 Unaudited RM'000	31.3.2018 Audited RM'000
Equity and liabilities		
Current Liabilities		
Trade and other payables	42,655	49,137
Loans and borrowings	126,258	124,714
Current tax payable	492	571
	169,405	174,422
Non-Current Liabilities		
Loans and borrowings	27,482	30,581
Deferred tax liabilities	1,280	1,188
Deferred income	10,855	10,923
	39,617	42,692
Total liabilities	209,022	217,114
Equity		
Share capital	255,145	255,145
Reserves	301,922	336,571
Treasury shares	(1,931)	(1,931)
	555,136	589,785
Non-controlling interests	14,406	14,080
Total equity	569,542	603,865
Total equity and liabilities	778,564	820,979
Net assets per share (RM)	2.41	2.56

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Audited Accounts for the year ended 31 March 2018)

MWE HOLDINGS BERHAD (5713-D)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2018

	Cumulative 3 months 30.6.2018 RM'000	Comparative 3 months 30.6.2017 RM'000
Revenue	81,815	100,566
Cost of sales	(72,469)	(84,174)
Gross profit	9,346	16,392
Interest income	568	562
Other income	331	766
Other operating expenses	(64,773)	(10,595)
Operating (loss)/profit	(54,528)	7,125
Finance costs	(2,370)	(2,517)
Share of results of associates	2,366	2,530
(Loss)/Profit before tax	(54,532)	7,138
Income tax expense	(425)	(1,447)
(Loss)/Profit net of tax	(54,957)	5,691
Other comprehensive income/(loss):		
Fair value loss on available-for-sale financial assets	16,859	(24,559)
Foreign currency translation	3,775	(3,150)
	20,634	(27,709)
Total comprehensive loss	(34,323)	(22,018)
(Loss)/Profit attributable to:		
Owners of the parent	(54,845)	5,574
Non-controlling interests	(112)	117
	(54,957)	5,691
Total comprehensive (loss)/income attributable to:		
Owners of the parent	(34,649)	(21,826)
Non-controlling interests	326	(192)
	(34,323)	(22,018)
Basic earnings per share (sen)	(23.82)	2.42

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Audited Accounts for the year ended 31 March 2018)

MWE HOLDINGS BERHAD (5713-D)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2018

	< ----------- Attributable to owners of the parent			------------ >			
		Non-distributable		Distributable		Non-	
	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total	controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1.4.2017	255,145	(1,931)	92,277	332,996	678,487	14,818	693,305
Total comprehensive (loss)/income	-	-	(27,400)	5,574	(21,826)	(192)	(22,018)
Dividend paid	-	-	-	(4,605)	(4,605)	-	(4,605)
At 30.6.2017	255,145	(1,931)	64,877	333,965	652,056	14,626	666,682
At 1.4.2018	255,145	(1,931)	52,363	284,208	589,785	14,080	603,865
Total comprehensive Income/(loss)	-	-	20,196	(54,845)	(34,649)	326	(34,323)
At 30.6.2018	255,145	(1,931)	72,559	229,363	555,136	14,406	569,542

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Accounts for the year ended 31 March 2018)

MWE HOLDINGS BERHAD (5713-D)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2018

	3 months ended	
	30.6.2018	30.6.2017
	Unaudited	Unaudited
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/Profit before tax	(54,532)	7,138
Adjustment for :		
Amortisation of biological assets	154	153
Amortisation of intangible assets	13	16
Amortisation of land use rights	122	122
Depreciation of property, plant and equipment	1,163	998
Loss on disposal of property, plant and equipment	-	17
Impairment loss on investment in associates	54,960	-
Net unrealised foreign exchange (gain)/loss	(38)	171
Property, plant and equipment written off	1	-
Share of results of associates	(2,366)	(2,530)
Dividend income	(1,061)	-
Interest income	(568)	(562)
Interest expenses	2,370	2,517
Operating profit before working capital changes	218	8,040
Changes in inventories	9,336	7,736
Changes in property development activities	(22)	(4)
Changes in receivables	(1,812)	(23,006)
Changes in payables	(7,580)	8,779
Cash (used in)/generated from operations	140	1,545
Interest received	568	562
Interest paid	(2,370)	(2,517)
Net income tax paid	(612)	(1,325)
Net cash (used in)/generated from operating activities	(2,274)	(1,735)
Cash flows from investing activities		
Dividends received	1,061	-
Proceeds from disposal of property, plant and equipment	-	189
Purchase of property, plant and equipment	(2,270)	(8,195)
Net cash used in investing activities	(1,209)	(8,006)

MWE HOLDINGS BERHAD (5713-D)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2018 (Cont'd)

	3 months ended	
	30.6.2018	30.6.2017
	Unaudited	Unaudited
	RM'000	RM'000
Cash flows from financing activities		
Bank borrowings raised	2,300	3,514
Dividends paid to shareholders	-	(4,605)
Placement in short term deposits	(4,760)	1,224
Repayment of bank borrowings	(3,918)	(6,714)
Net cash used in financing activities	(6,378)	(6,581)
Net increase in cash & cash equivalents	(9,861)	(16,322)
Effects of foreign exchange rate changes	2,023	(1,974)
	(7,838)	(18,296)
Cash & cash equivalents at beginning of year	80,546	120,852
Cash & cash equivalents at end of period	72,708	102,556
Represented by :		
Cash & bank balances	80,796	105,502
Deposits with licensed banks with maturity of more than 3 months	(7,987)	(2,847)
Bank overdrafts	(101)	(99)
	72,708	102,556

(The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Annual Audited Accounts for the year ended 31 March 2018)

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

2. ACCOUNTING POLICIES

The unaudited interim financial report has been prepared in accordance with Financial Reporting Standard (FRS) 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The significant accounting policies and methods of computation applied to the financial statements are consistent with those applied to the annual audited accounts for the year ended 31 March 2018.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board ["MASB"] issued a new MASB approved accounting framework, the MFRS framework, to be adopted by non-private entities for annual periods beginning on or after 1 January 2012. However, adoption of the MFRS framework by entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer ("Transitioning Entities") will only be mandatory for annual periods beginning on or after 1 January 2018. The Group was within the definition of Transitioning Entities and was exempted from adopting the MFRS framework prior to 1 April 2018.

In the current financial year ending 31 March 2019, the Group will be adopting the MFRS framework for the first time. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The accounting policies and presentation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 March 2018 except for changes arising from the adoption of MFRS as disclosed below:

a) MFRS 141 Agriculture

With the adoption of the MFRS 141, new planting expenditure and replanting expenditure are accounted for as property, plant and equipment in accordance with MFRS 116 and measured at cost less accumulated depreciation, whereas biological assets-agricultural produce within the scope of MFRS 141 are measured at fair value less costs to sell.

The adoption will result the changes in fair value less costs to sell of the biological assets-agricultural produce are recognised in profit or loss.

2. ACCOUNTING POLICIES (cont'd)

b) MFRS 9 Financial Instrument

MFRS 9 (effective from 1 January 2018), in conjunction with the adoption of the MFRS framework, replaces MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset.

MFRS 9 retains most of the MFRS 139 requirements for liabilities. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than in profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The adoption of MFRS 9 has impact on Group recognition of impairment of its receivables where the impairment is accounted for using the expected credit loss model.

c) Revenue from contracts with customers

MFRS 15 Revenue from Contracts with Customers establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 differs from previous revenue recognition guidance including FRS 118 Revenue, FRS 111 Construction Contracts and the related interpretations under FRS.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The adoption of MFRS 15 does not have any material impact to the financial statement of the Group except those associated companies which involved in property development business.

The Group is still assessing the financial impacts of the above accounting standards under the MFRS framework. The Group expects fully comply with the requirements of the MFRS framework for the financial year ending 31 March 2019.

3. AUDIT OPINION ON THE PRECEDING FINANCIAL STATEMENTS

The preceding annual audited financial statements were not qualified by the Auditors.

4. EFFECT OF CHANGES IN COMPOSITION OF GROUP

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

5. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

Textiles division is involved in manufacturing and sale of garments for export markets and thus mainly depends on US and Europe purchasing power and economy as a whole. As for Telecommunications segment which design and manufacture telecommunication products, faces a more volatile market that depends on global market conditions.

6. UNUSUAL ITEMS

There were no unusual items which affect assets, liabilities, equity, income or cash flows during the reporting period.

7. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS PREVIOUSLY REPORTED

There was no material changes in estimates of amounts previously reported.

8. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, resale or repayments of debt and equity securities undertaken by the Company during the reporting period.

9. DIVIDENDS PAID

There was no dividend paid during the current quarter.

10. VARIANCE IN PROFIT FORECAST

There was no profit forecast issued for the financial year.

11. STATUS OF CORPORATE PROPOSALS

On 16 March 2018, the Company announced that the Board had on even date received the offer letter from Pinjaya Sdn Bhd, requesting the Company to undertake the proposed selective capital reduction (“Proposed SCR”) and repayment exercise pursuant to Section 116 of the Companies Act 2016.

The Proposed SCR involves the Company undertaking a selective capital reduction and a corresponding capital repayment of a proposed cash amount of RM1.75 per ordinary share in the Company held by the entitled shareholders.

11. STATUS OF CORPORATE PROPOSALS (cont'd)

The Company had via a Board Meeting held on 13 April 2018 deliberated and approved the Proposed SCR to be tabled at the Extraordinary General Meeting ("EGM") to be convened later.

On 18 May 2018, the Company had via Alliance Investment Berhad, the principal adviser of the Company, issued the Circular to shareholders in relation to the Proposed SCR. The Proposed SCR tabled at the EGM on 11 June 2018 was duly passed by the entitled shareholders of the Company.

On 2 July 2018, the Company had filed the petition to the High Court of Malaya **("**High Court**")** to obtain an order by the High Court confirming the reduction of share capital in accordance with Section 116 of the Act giving effect to the Proposed SCR.

Save for the above, there were no other corporate proposals announced or pending as at the date of this report.

12. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The values of property, plant and equipment of the Group have been brought forward without amendment from the previous annual audited accounts.

13. GROUP BORROWINGS

Particulars of Group borrowings at the end of the period are as follows:

	Secured	Unsecured	Total
	RM '000	RM '000	RM '000
30.6.2018			
Short term			
Obligations under finance lease	34	-	34
Trade Line	-	299	299
Bank overdrafts	-	101	101
Revolving credit	112,000	500	112,500
Term loans	13,324	-	13,324
	125,358	900	126,258
Long term			
Obligations under finance lease	6	-	6
Term loans	27,476	-	27,476
	27,482	-	27,482
	152,840	900	153,740

There were no foreign borrowings as at 30 June 2018.

14. DERIVATIVE FINANCIAL INSTRUMENTS

There were no outstanding forward contracts at the end of the reporting period.

15. SEGMENT INFORMATION

The Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

	Textile RM'000	Tele-communication RM'000	Properties RM'000	Other Operations RM'000	Total RM'000
30 June 2018					
Revenue					
External sales	61,077	12,432	1,237	7,069	81,815
Inter-segment sales	-	-	93	326	419
Total revenue	61,077	12,432	1,330	7,395	82,234
Results					
Segment profit/(loss)	1,059	642	(221)	(56,008)	(54,528)
Finance costs					(2,370)
Share of results of associates	-	-	2	2,364	2,366
Loss before tax					(54,532)
30 June 2017					
Revenue					
External sales	80,575	11,080	1,118	7,793	100,566
Inter-segment sales	-	-	93	339	432
Total revenue	80,575	11,080	1,211	8,132	100,998
Results					
Segment profit/(loss)	7,179	539	97	(690)	7,125
Finance costs					(2,517)
Share of results of associates	-	-	(39)	2,569	2,530
Profit before tax					7,138

16. PERFORMANCE REVIEW FOR CURRENT QUARTER AND YEAR-TO-DATE

Group performance

During the reporting quarter, the Group posted total revenue of RM81.8 million, RM18.8 million lower as compared to RM100.6 million in preceding year corresponding quarter. The decrease in revenue mainly attributed to lower sales orders from Textile division as well as weakening of USD against Ringgit which translated into lower sale. For current quarter, the Group provided impairment loss of RM55.0 million for investment in associate. As a result, the Group reported RM54.5 million pre-tax loss for current quarter. For preceding year first quarter, impairment for investment in associate was not required, as such, the Group managed to record a pre-tax profit of RM7.1 million.

Textile division

Textile division reported RM61.1 million in revenue, RM19.5 million lower as compared to RM80.6 million recorded in preceding year corresponding quarter, mainly attributed to lower sales order coupled with weakening of USD against Ringgit which translated into lower sale. Pre-tax profit reported lower at RM0.8 million as compared to RM6.8 million in preceding year. The reduction was mainly due to lower margin products, higher maintenance costs as well as low efficiency of the newly employed workers.

Telecommunications division

For current first quarter, Telecommunication division reported RM12.4 million in revenue, RM1.3 million higher as compared to RM11.1 million reported in previous first quarter. Pre-tax profit maintained at RM0.5 million.

Properties division

Properties division reported RM1.2 million in revenue, slightly higher as compared to RM1.1 million recorded in FY2018. Higher losses recorded for current quarter mainly due to maintenance costs for property.

Other operations

Industrial division reported RM2.9 million in revenue, RM1.3 million lower as compared to RM4.2 million in FY2018, mainly attributed to lower truck sales. The division recorded RM0.6 million losses for current first quarter.

Plantation division reported lower revenue for current quarter, mainly due to lower crop yields. As a result, the division incurred a loss of RM0.4 million for current quarter.

17. MATERIAL CHANGE BETWEEN CURRENT AND PRECEDING IMMEDIATE QUARTER

The Group registered RM81.8 million in revenue for current reporting quarter, increased by RM13.7 million as compared to RM68.1 million reported in the preceding fourth quarter. The lower revenue in the preceding quarter was mainly attributed to lower sales orders from Textile division after the festive seasons. Pre-tax loss stood at RM54.5 million for current quarter as compared to RM52.3 million in preceding fourth quarter. Higher losses for both quarters mainly attributed to impairment loss provided for investment in associate.

18. PROSPECTS FOR FINANCIAL YEAR 2019

Lower garment prices coupled with higher wages and maintenance costs had adversely affected our garments business. Forecasted sale for the remaining quarters is highly dependent as to whether the division managed to secure higher sales orders with better margins for our products.

The West Coast Expressway project undertaken by our associate, WCE Holdings Bhd (WCE), is progressing and certain sections are expected to be completed by late 2018. Besides, WCE also has sharing in profit from its Bandar Rimbayu housing project vide its associate company, the housing projects is expected to maintain its performance.

19. LOSS/(PROFIT) BEFORE TAX

	Current quarter 30.6.2018 RM'000	Comparative Quarter 30.6.2017 RM'000
Amortisation of biological assets	154	153
Amortisation of intangible assets	13	16
Amortisation of land use rights	122	122
Depreciation of property, plant and equipment	1,163	998
Loss on disposal of property, plant and equipment	-	17
Net unrealised foreign exchange (gain)/loss	(38)	171
Property, plant and equipment written off	1	-
Interest income	(568)	(562)
Interest expenses	2,370	2,517

20. INCOME TAX EXPENSE

The tax expense consists of:

	Current quarter 30.6.2018 RM'000	Comparative Quarter 30.6.2017 RM'000
Current income tax		
- current period	276	1,643
- under/(over) provision in prior years	95	(33)
Deferred tax		
- current period	54	(143)
- over provision in prior years	-	(20)
Income tax expense	425	1,447

A reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

	Current quarter 30.6.2018 RM'000	Comparative Quarter 30.6.2017 RM'000
(Loss)/Profit before tax	(54,532)	7,138
Taxation at 24%	(13,088)	1,713
Expenses not deductible	14,702	1,040
Deferred tax assets not recognised	-	19
Income not subject to tax	(376)	(139)
Utilisation of previously unrecognised deductible temporary differences	-	(53)
Tax effect of differences in tax rate	(340)	(473)
Under/(over) provision of tax in prior years	95	(53)
Share of results of associates	(568)	(607)
	425	1,447

21. SUBSEQUENT EVENT

There are no material subsequent events at the date of this report.

22. MATERIAL LITIGATION

There was no material litigation against the Group in the reporting period.

23. EARNINGS PER SHARE ("EPS")

Computation of the EPS is as follows:

	Current Quarter 30.6.2018 RM'000	Comparative Quarter 30.6.2017 RM'000
(Loss)/Profit for the period	(54,845)	5,574
No. of ordinary shares after deducting treasury shares	230,235	230,235
Basic EPS (sen)	(23.82)	2.42

24. DIVIDEND

The Board of Directors does not recommend any dividend payment during this reporting quarter.

By Order of the Board
LIM KONG YOW
Company Secretary
24 August 2018