

POH KONG HOLDINGS BERHAD (Company No : 586139-K)
QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 OCTOBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31.10.2018 RM'000	AS AT 31.7.2018 RM'000 (Audited)
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	126,783	126,175
Investment properties	14,133	14,288
Other investments	528	528
Goodwill on consolidation	1,485	1,485
Deferred tax assets	16,362	16,677
	159,291	159,153
CURRENT ASSETS		
Inventories	581,075	558,794
Trade and other receivables	20,746	17,247
Deposits and prepayments	16,073	12,431
Current tax assets	1,731	871
Fixed deposits placed with licensed banks	9,190	15,185
Cash and bank balances	64,257	39,108
	693,072	643,636
TOTAL ASSETS	852,363	802,789
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	205,176	205,176
Reserves	321,331	318,167
TOTAL EQUITY	526,507	523,343
NON-CURRENT LIABILITIES		
Long-term borrowings	40,393	24,233
Deferred tax liabilities	15,391	15,391
	55,784	39,624
CURRENT LIABILITIES		
Trade and other payables	31,953	21,294
Deposits and accruals	19,180	15,517
Deferred income	3,374	1,169
Provision for restoration costs	200	200
Amount due to ultimate holding company	1,304	1,319
Amount due to directors (Note 1)	3,783	3,546
Short-term borrowings	209,958	195,093
Current tax liabilities	320	1,684
	270,072	239,822
TOTAL LIABILITIES	325,856	279,446
TOTAL EQUITY AND LIABILITIES	852,363	802,789
Net assets per share attributable to owners of the Company (RM)	1.28	1.28

Note 1: Amount due to directors consists of directors' fee and directors' other emoluments.

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2018)

POH KONG HOLDINGS BERHAD (Company No : 586139-K)
QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 OCTOBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.10.2018 RM'000	QUARTER ENDED 31.10.2017 RM'000	PERIOD ENDED 31.10.2018 RM'000	PERIOD ENDED 31.10.2017 RM'000
Revenue	258,364	220,925	258,364	220,925
Other operating income	554	841	554	841
Operating expenses	(251,472)	(211,150)	(251,472)	(211,150)
Profit from operations	7,446	10,616	7,446	10,616
Finance costs	(3,198)	(2,475)	(3,198)	(2,475)
Profit before tax	4,248	8,141	4,248	8,141
Income tax expense	(1,084)	(2,782)	(1,084)	(2,782)
Profit after tax	3,164	5,359	3,164	5,359
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,164	5,359	3,164	5,359
Profit after tax attributable to:				
Owners of the Company	3,164	5,359	3,164	5,359
Non-controlling Interests	-	-	-	-
	3,164	5,359	3,164	5,359
Total comprehensive income attributable to:				
Owners of the Company	3,164	5,359	3,164	5,359
Non-controlling Interests	-	-	-	-
	3,164	5,359	3,164	5,359
Earnings per share attributable to				
Owners of the Company				
- basic (sen)	0.77	1.31	0.77	1.31
- diluted (sen)	0.77	1.31	0.77	1.31

(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2018)

POH KONG HOLDINGS BERHAD (Company No : 586139-K)
QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 OCTOBER 2018**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to owners of the Company			
	Share Capital	Revaluation Reserve	Retained Profits	Total Equity
	RM'000	RM'000	RM'000	RM'000
At 1 August 2017	205,176	42,664	256,205	504,045
Total comprehensive income for the period	-	-	5,359	5,359
At 31 October 2017	205,176	42,664	261,564	509,404
At 1 August 2018	205,176	42,664	275,503	523,343
Total comprehensive income for the period	-	-	3,164	3,164
At 31 October 2018	205,176	42,664	278,667	526,507

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2018)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	PERIOD	PERIOD
	ENDED	ENDED
	31.10.2018	31.10.2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,248	8,141
Adjustments for:		
Depreciation of property, plant and equipment and investment properties	2,398	2,342
Net gain on disposal of property, plant and equipment	-	(100)
Property, plant and equipment written off	92	580
Interest income	(105)	(74)
Interest expense	3,198	2,475
Operating profit before working capital changes	9,831	13,364
Inventories	(22,281)	(24,195)
Receivables	(7,141)	(6,447)
Payables	16,527	8,563
Amount due to directors	237	(200)
Net cash used in operations	(2,827)	(8,915)
Income tax refunded		
Income tax paid	(2,995)	(3,224)
Net cash used in operating activities	(5,822)	(12,139)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	105	74
Proceeds from disposal of property, plant and equipment	-	100
Purchase of property, plant and equipment	(2,942)	(3,668)
Net cash used in investing activities	(2,837)	(3,494)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(3,198)	(2,475)
Placement of fixed deposit	(5)	(5)
Net loans drawdown/(repaid)	32,188	(1,556)
Placement of sinking funds	(30,000)	-
Increase in amount due to ultimate holding company	(15)	5
Repayment of finance lease creditors	(1,024)	(843)
Repayment of hire purchase creditors	(315)	(327)
Net cash used in financing activities	(2,369)	(5,201)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,028)	(20,834)
OPENING CASH AND CASH EQUIVALENTS	33,058	39,351
CLOSING CASH AND CASH EQUIVALENTS	22,030	18,517
Cash and cash equivalents comprise the following:		
Fixed deposits with licensed banks	9,190	6,185
Cash and bank balances	64,257	22,567
Bank overdraft	(177)	-
	73,270	28,752
Less: - Fixed deposits pledged to licensed banks	(1,240)	(235)
- Sinking fund	(50,000)	(10,000)
	22,030	18,517

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2018)

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Accounting Policies and Methods of Computation

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and Chapter 9, Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2018.

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

New MFRSs

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to MFRSs

MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

New IC Int

IC Int 22	Foreign Currency Transactions and Advance Consideration
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The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective:

<u>New MFRSs</u>		<u>Effective for financial periods beginning on or after</u>
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/1 January 2020*
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*

MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2021#

New IC Int

IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
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Amendments to IC Int

IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets-Web Site Costs	1 January 2020*

*Amendments to References to the Conceptual Framework in MFRS Standards

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a revised Conceptual Framework for Financial Reporting and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

The adoption of the above new MFRSs, Amendments/Improvements to MFRSs, new IC Int and Amendments to IC Int will have no significant financial impact on the financial statements of the Group.

A2. Audit Report

The audit report of the preceding Audited Financial Statements of the Company was reported without any qualification.

A3. Seasonality or Cyclical of Operations

It was a traditionally low peak trading period for the quarter under review.

A4. Unusual Items

There were no unusual and extraordinary items in the current quarter under review.

A5. Changes in Estimates

There were no material changes in the estimates used for the preparation of interim financial report.

A6. Issuance, Cancellation or Repayments of Debt and Equity Securities

There was no issuance and repayment of debt and equity securities, share buy back, share cancellation, shares held as treasury shares and resale of treasury shares for the current financial year to-date.

A7. Dividend paid

No dividend was paid in the quarter under review.

A8. Segmental Information

Segmental information is presented in respect of the Group's business segments.

Business segments:

Manufacturing: Manufacturer and dealer of jewellery, precious stones and gold ornaments

Trading: Suppliers and retailers of gold ornaments, jewellery, precious stones and gold bullion

Others: Investment holding and supplying gold bullion

Results for financial period ended 31 October 2017

	Manufacturing Division RM'000	Trading Division RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue	8,458	212,450	17	-	220,925
Inter-segment Revenue	47,797	20,049	26,396	(94,242)	-
Total Revenue	56,255	232,499	26,413	(94,242)	220,925
Profit before taxation	3,364	5,645	(2,187)	1,319	8,141
Profit after taxation	2,556	4,273	(2,515)	1,045	5,359

Results for financial period ended 31 October 2018

	Manufacturing Division RM'000	Trading Division RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue	12,254	195,915	50,195	-	258,364
Inter-segment Revenue	83,975	30,508	75,539	(190,022)	-
Total Revenue	96,229	226,423	125,734	(190,022)	258,364
Profit before taxation	(199)	1,876	207	2,364	4,248
Profit after taxation	(199)	1,410	(98)	2,051	3,164

A9. Valuations of Property, Plant and Equipment

The Group did not carry out any valuation on property, plant and equipment in the quarter under review.

Save as disclosed, the valuation of property, plant and equipment have been brought forward without amendment from previous Audited Financial Statements.

A10. Material Events Subsequent To The Financial Period

There was no subsequent material event as at the date of this quarterly report.

A11. Changes in the Composition of the Company

There was no change in the composition of the Group for the current quarter and financial year to date including business combination, acquisition or disposal of subsidiaries and long term investment, restructuring or discontinuing of operations.

A12. Contingent Liabilities

Poh Kong Jewellers Sdn. Bhd, a wholly owned subsidiary of the Company, has granted a corporate guarantee to Danajamin Nasional Berhad in respect of Islamic Commercial Papers/Islamic Medium Term Notes programme up to RM150,000,000 in accordance with the Shariah principle of Commodity Murabahah.

As at 31 October 2018, a total of RM223,517,159 corporate guarantees has been given in support of banking facilities granted to subsidiary companies; a total of RM11,000,000 corporate guarantee has been given to third parties in respect of leasing and hire purchase facilities; a total of RM3,157,362 corporate guarantees has been given to third parties in respect of operating lease arrangements.

Save as disclosed above, there was no change in contingent liabilities since the last annual reporting date.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**B1. Review of Performance**

The Group's revenue for the first quarter under review was higher at RM258.364 million as compared to the revenue in the corresponding quarter last year of RM220.925 million. The increase of RM37.439 million was due to the increase in demand for gold jewellery and gold investment products and additional revenue contributed from new outlets in the current quarter under review.

The Group's profit before tax in the current quarter at RM4.248 million as compared to the profit before tax of RM8.141 million in the corresponding quarter last year showed a decrease of RM3.893 million. The fluctuation of gold prices inevitably affected the Group's operating profits during the quarter under review.

The Group's revenue is largely derived from retail segment.

B2. Comparison with Preceding Quarter's Results (1st Quarter FYE 2019 vs 4th Quarter FYE 2018)

Financial Indicators:	Q1FYE2019	Q4FYE2018	Variance	Variance
	RM('000)	RM('000)	RM('000)	(%)
Revenue	258,364	272,174	(13,810)	-5%
Profit before taxation	4,248	7,241	(2,993)	-41%
Profit after taxation	3,164	8,925	(5,761)	-65%

The decrease in profit was due mainly to the lower revenue in the current quarter under review as compared with the preceding quarter.

B3. Current Year Prospects

Poh Kong is optimistic that Malaysia's economic growth will improve progressively with the Government's new direction for the economy, although retail sentiments still remain soft due to cautious consumer spending. The Group is positive the demand for gold related products will remain resilient and provide investors with a complementary investment option while at the same time, is a liquid asset and a safe haven in economic uncertainties.

Barring unforeseen circumstances, the Board of Directors is confident of the Group's resilience to weather the challenges ahead for financial year ending 31 July 2019.

B4. Profit Forecast

The Group does not publish any profit forecast.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	31.10.2018	31.10.2017	31.10.2018	31.10.2017
	RM'000	RM'000	RM'000	RM'000
Income taxation	770	2,508	770	2,508
Deferred taxation	314	274	314	274
	<u>1,084</u>	<u>2,782</u>	<u>1,084</u>	<u>2,782</u>

The effective tax rate was higher than the statutory tax rate due principally to certain expenses disallowed for tax purpose.

B6. Status of Corporate Proposals Announced

There was no corporate proposal announced for the current quarter and financial year to date.

B7. Borrowings and Debt Securities

The Group's borrowings are as follows:

	Period Ended 31.10.2018 RM'000	Period Ended 31.10.2017 RM'000
Short-term Borrowings		
- Secured		
Other bank borrowings	155,602	107,450
Islamic Medium Term Notes ("IMTN")	50,000	10,000
Hire purchase and lease creditors	4,356	3,801
	<u>209,958</u>	<u>121,251</u>
- Unsecured		
Advance from Ultimate Holding Company	1,304	1,284
	<u>211,262</u>	<u>122,535</u>
Long-term Borrowings		
- Secured		
Term loans	37,516	9,022
Islamic Medium Term Notes ("IMTN")	-	50,000
Hire purchase and lease creditors	2,877	4,661
	<u>40,393</u>	<u>63,683</u>
Total	<u>251,655</u>	<u>186,218</u>

B8. Profit Before Taxation

Profit before taxation is arrived at after charging/(crediting):

	Individual Quarter		Cumulative Quarter	
	Quarter Ended 31.10.2018 RM'000	Quarter Ended 31.10.2017 RM'000	Period Ended 31.10.2018 RM'000	Period Ended 31.10.2017 RM'000
Interest income	(105)	(74)	(105)	(74)
Net gain on disposal of property, plant and equipment	-	(100)	-	(100)
Interest expense	3,198	2,475	3,198	2,475
Depreciation of property, plant and equipment and investment property	2,398	2,342	2,398	2,342
Property, plant and equipment written off	92	580	92	580

B9. Material Litigation

There was no material litigation as at this quarterly report and the financial year to date.

B10. Dividend

No dividend was declared in the current quarter under review.

B11. Earnings Per Share

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Quarter Ended 31.10.2018	Quarter Ended 31.10.2017	Period Ended 31.10.2018	Period Ended 31.10.2017
Profit after taxation for basic earnings per share (RM'000)	3,164	5,359	3,164	5,359
Weighted average number of ordinary shares in issue ('000)	410,352	410,352	410,352	410,352
-basic (sen)	<u>0.77</u>	<u>1.31</u>	<u>0.77</u>	<u>1.31</u>
-diluted (sen)	<u>0.77</u>	<u>1.31</u>	<u>0.77</u>	<u>1.31</u>

BY ORDER OF THE BOARD**DATO' CHOON YEE SEIONG**

Executive Chairman / Group Managing Director

7 December 2018

Petaling Jaya