

POH KONG HOLDINGS BERHAD (Company No : 586139-K)
QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31.1.2019 RM'000	AS AT 31.7.2018 RM'000 <i>(Audited)</i>
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	127,612	126,175
Investment properties	14,737	14,288
Other investments	528	528
Goodwill on consolidation	1,485	1,485
Deferred tax assets	17,320	16,677
	161,682	159,153
CURRENT ASSETS		
Inventories	596,855	558,794
Trade and other receivables	24,845	17,247
Deposits and prepayments	11,280	12,431
Current tax assets	807	871
Fixed deposits placed with licensed banks	12,160	15,185
Cash and bank balances	19,207	39,108
	665,154	643,636
TOTAL ASSETS	826,836	802,789
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	205,176	205,176
Reserves	323,980	318,167
TOTAL EQUITY	529,156	523,343
NON-CURRENT LIABILITIES		
Long-term borrowings	40,104	24,233
Deferred tax liabilities	15,391	15,391
	55,495	39,624
CURRENT LIABILITIES		
Trade and other payables	40,567	21,294
Deposits and accruals	13,748	15,517
Deferred income	4,852	1,169
Dividend payables	4,104	-
Provision for restoration costs	200	200
Amount due to ultimate holding company	1,309	1,319
Amount due to directors (Note 1)	1,837	3,546
Short-term borrowings	175,360	195,093
Current tax liabilities	208	1,684
	242,185	239,822
TOTAL LIABILITIES	297,680	279,446
TOTAL EQUITY AND LIABILITIES	826,836	802,789
Net assets per share attributable to owners of the Company (RM)	1.29	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 SECOND QUARTER ENDED 31 JANUARY 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.1.2019 RM'000	QUARTER ENDED 31.1.2018 RM'000	PERIOD ENDED 31.1.2019 RM'000	PERIOD ENDED 31.1.2018 RM'000
Revenue	273,913	269,981	532,277	490,906
Other operating income	2,168	1,387	2,722	2,228
Operating expenses	(264,293)	(262,281)	(515,765)	(473,431)
Profit from operations	11,788	9,087	19,234	19,703
Finance costs	(3,264)	(3,275)	(6,462)	(5,750)
Profit before tax	8,524	5,812	12,772	13,953
Income tax expense	(1,771)	(1,002)	(2,855)	(3,784)
Profit after tax	6,753	4,810	9,917	10,169
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,753	4,810	9,917	10,169
Profit after tax attributable to:				
Owners of the Company	6,753	4,810	9,917	10,169
Non-controlling Interests	-	-	-	-
	6,753	4,810	9,917	10,169
Total comprehensive income attributable to:				
Owners of the Company	6,753	4,810	9,917	10,169
Non-controlling Interests	-	-	-	-
	6,753	4,810	9,917	10,169
Earnings per share attributable to				
Owners of the Company				
- basic (sen)	1.65	1.17	2.42	2.48
- diluted (sen)	1.65	1.17	2.42	2.48

(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 SECOND QUARTER ENDED 31 JANUARY 2019

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	-	-	10,169	10,169
Dividends	-	-	(4,104)	(4,104)
At 31 January 2018	205,176	42,664	262,270	510,110
At 1 August 2018	205,176	42,664	275,503	523,343
Total comprehensive income for the period	-	-	9,917	9,917
Dividends	-	-	(4,104)	(4,104)
At 31 January 2019	205,176	42,664	281,316	529,156

(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
	31.1.2019	31.1.2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,772	13,953
Adjustments for:		
Depreciation of property, plant and equipment and investment properties	4,763	4,764
Net gain on disposal of property, plant and equipment	-	(670)
Property, plant and equipment written off	244	585
Loss on dissolution of subsidiaries	18	-
Dividend income	(300)	(300)
Interest income	(1,512)	(130)
Interest expense	6,462	5,750
Operating profit before working capital changes	22,447	23,952
Inventories	(38,061)	(63,601)
Receivables	(6,447)	(4,034)
Payables	21,187	15,079
Amount due to directors	(1,709)	(300)
Net cash used in operations	(2,583)	(28,904)
Income tax paid	(4,911)	(5,491)
Net cash used in operating activities	(7,494)	(34,395)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,512	130
Dividend received	300	300
Final distribution to dissolution of subsidiaries	(18)	-
Proceeds from disposal of property, plant and equipment	-	822
Purchase of property, plant and equipment	(6,892)	(4,972)
Net cash used in investing activities	(5,098)	(3,720)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(6,462)	(5,750)
Uplift/(placement) of fixed deposit	25	(5)
Net loans (repaid)/drawdown	(1,129)	26,236
Placement of sinking funds	20,000	10,000
(Decrease)/Increase in amount due to ultimate holding company	(10)	10
	(2,046)	(1,763)
Repayment of hire purchase creditors	(687)	(660)
Net cash generated from financing activities	9,691	28,068
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,901)	(10,047)
OPENING CASH AND CASH EQUIVALENTS	33,058	39,351
CLOSING CASH AND CASH EQUIVALENTS	30,157	29,304
Cash and cash equivalents comprise the following:		
Fixed deposits with licensed banks	12,160	15,185
Cash and bank balances	19,207	14,354
Bank overdraft	-	-
	31,367	29,539
Less: - Fixed deposits pledged to licensed banks	(1,210)	(235)
	30,157	29,304

(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.

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

The amendments to the nine Standards are a consequence of MFRS 17 with an effective date on or after 1 January 2021, which include MFRS 1, MFRS 5, MFRS 7, MFRS 15, MFRS 107, MFRS 116, MFRS 132, MFRS 136 and MFRS 140.

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 Cyclicity of Operations

It was a traditionally 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 periods ended 31 January 2018

	Manufacturing Division RM'000	Trading Division RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue	21,250	441,481	28,175	-	490,906
Inter-segment Revenue	118,993	43,947	96,026	(258,966)	-
Total Revenue	140,243	485,428	124,201	(258,966)	490,906
Profit before taxation	1,575	11,672	(1,556)	2,262	13,953
Profit after taxation	1,197	9,031	(2,395)	2,336	10,169

Results for financial periods ended 31 January 2019

	Manufacturing Division RM'000	Trading Division RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue	23,272	406,872	102,133	-	532,277
Inter-segment Revenue	182,182	59,791	169,815	(411,788)	-
Total Revenue	205,454	466,663	271,948	(411,788)	532,277
Profit before taxation	3,139	19,055	5,319	(14,741)	12,772
Profit after taxation	2,386	16,931	4,698	(14,098)	9,917

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, had previously granted a guarantee to Danajamin Nasional Berhad in respect of Islamic Commercial Papers/Islamic Medium Term Notes programme ("ICP/IMTN") of RM150 million. The ICP/IMTN programme had subsequently matured and fully paid on 22 November 2018. Hence, it resulted in the discharge of this corporate guarantee.

In addition to the above, the Company has given additional corporate guarantee of RM3,360,000 in support of banking facility granted to a subsidiary company in the second quarter. As at 31 January 2019, a total of RM226,877,159 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 second quarter under review was higher at RM273.913 million as compared to the revenue in the corresponding quarter last year of RM269.981 million. The increase of RM3.932 million was due mainly to the increasing demand for gold jewellery, aided by the higher retail gold prices in the current quarter under review.

The Group's profit before tax in the current quarter at RM8.524 million as compared to the profit before tax of RM5.812 million in the corresponding quarter last year showed an increase of RM2.712 million. The overall uptrend in gold prices improved the operating profits during the quarter under review.

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

B2. Comparison with Preceding Quarter's Results (2nd Quarter FYE 2019 vs 1st Quarter FYE 2019)

Financial Indicators:	Q2FYE2019	Q1FYE2019	Variance	Variance
	RM('000)	RM('000)	RM('000)	(%)
Revenue	273,913	258,364	15,549	6%
Profit before taxation	8,524	4,248	4,276	101%
Profit after taxation	6,753	3,164	3,589	113%

The increase in profit was due mainly to the higher 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 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 during 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
	31.1.2019	31.1.2018	31.1.2019	31.1.2018
	RM'000	RM'000	RM'000	RM'000
Income taxation	2,728	1,694	3,498	4,202
Deferred taxation	(957)	(692)	(643)	(418)
	1,771	1,002	2,855	3,784

The effective tax rate was lower than the statutory tax rate due principally to the deferred tax assets being recognised for the current and cumulative quarters, offsetting against tax payables on profitable subsidiaries.

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 31.1.2019 RM'000	Period Ended 31.1.2018 RM'000
Short-term Borrowings		
- Secured		
Other bank borrowings	171,004	148,489
Islamic Medium Term Notes ("IMTN")	-	50,000
Hire purchase and lease creditors	4,356	4,097
	<u>175,360</u>	<u>202,586</u>
- Unsecured		
Advance from Ultimate Holding Company	1,309	1,289
	<u>176,669</u>	<u>203,875</u>
Long-term Borrowings		
- Secured		
Term loans	37,387	12,453
Hire purchase and lease creditors	2,717	4,560
	<u>40,104</u>	<u>17,013</u>
Total	<u>216,773</u>	<u>220,888</u>

B8. Profit Before Taxation

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

	Individual Quarter		Cumulative Quarter	
	Quarter Ended 31.1.2019 RM'000	Quarter Ended 31.1.2018 RM'000	Period Ended 31.1.2019 RM'000	Period Ended 31.1.2018 RM'000
Interest income	(1,407)	(56)	(1,512)	(130)
Dividend income	(300)	(300)	(300)	(300)
Net gain on disposal of property, plant and equipment	-	(570)	-	(670)
Loss on dissolution of subsidiaries	18	-	18	-
Interest expense	3,264	3,275	6,462	5,750
Depreciation of property, plant and equipment and investment property	2,365	2,422	4,763	4,764
Property, plant and equipment written off	152	5	244	585

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 31.1.2019	Quarter Ended 31.1.2018	Period Ended 31.1.2019	Period Ended 31.1.2018
Profit after taxation for basic earnings per share (RM'000)	6,753	4,810	9,917	10,169
Weighted average number of ordinary shares in issue ('000)	410,352	410,352	410,352	410,352
-basic (sen)	<u>1.65</u>	<u>1.17</u>	<u>2.42</u>	<u>2.48</u>
-diluted (sen)	<u>1.65</u>	<u>1.17</u>	<u>2.42</u>	<u>2.48</u>

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

Executive Chairman / Group Managing Director

14 March 2019

Petaling Jaya