



PANTECH GROUP HOLDINGS BERHAD

Company No. 200601013856 (733607-W)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 NOVEMBER 2019**

	Third Quarter		Cumulative Quarter	
	Current Year Quarter 30/11/2019 RM'000	Preceding Year Corresponding Quarter 30/11/2018 RM'000	Current Year To Date 30/11/2019 RM'000	Preceding Year Corresponding Period 30/11/2018 RM'000
Revenue	165,513	140,158	458,567	466,604
Operating Expenses	(151,904)	(125,679)	(417,901)	(415,238)
Other Operating Income	1,975	1,912	4,395	3,690
Profit from Operations	15,584	16,391	45,061	55,056
Finance Cost	(2,723)	(2,629)	(8,679)	(7,657)
Share of profit in associate company	2	256	65	202
Profit before taxation	12,863	14,018	36,447	47,601
Taxation	(2,595)	(2,829)	(7,824)	(11,423)
Profit for the period	10,268	11,189	28,623	36,178
Other comprehensive income net of tax				
Foreign currency translation differences for foreign operation	1,169	683	(499)	(1,040)
Realisation of revaluation reserve upon depreciation of revalued asset	50	49	149	149
Transfer of revaluation reserve to unappropriated profit	(50)	(49)	(149)	(149)
Fair value (loss) / gain on cash flow hedge	(14)	389	(742)	(71)
Total comprehensive income for the period	11,423	12,261	27,382	35,067
Profit for the period attributable to:				
Owners of the Company	10,268	11,189	28,623	36,178
Non-controlling interest	-	-	-	-
	10,268	11,189	28,623	36,178
Total comprehensive income for the period attributable to:				
Owners of the Company	11,423	12,261	27,382	35,067
Non-controlling interest	-	-	-	-
	11,423	12,261	27,382	35,067
Earnings per share				
(a) Basic earnings per ordinary share (sen)	1.37	1.51	3.82	4.88
(b) Diluted earnings per ordinary share (sen)	1.36	1.50	3.79	4.85

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 28 February 2019 and the accompanying explanatory notes attached to the interim financial reports.



INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2019

	30/11/2019	28/02/2019
	Unaudited	Audited
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, Plant And Equipment	275,542	230,564
Prepaid Land Lease Payments	-	32,552
Right-of-use Assets	6,984	-
Capital Work-in-progress	696	13,691
Investment Properties	6,300	6,300
Investment In An Associate Company	2,847	2,782
Derivatives Financial Instruments	20	43
Goodwill on Acquisition	1,190	1,190
Deferred Tax Assets	1,855	2,016
	<u>295,434</u>	<u>289,138</u>
Current Assets		
Inventories	320,822	356,266
Trade and Other Receivables	149,715	157,813
Amount Due from An Associate Company	33,945	36,518
Derivatives Financial Instruments	78	797
Fixed Deposits with Licensed Banks	2,600	2,547
Cash and Bank Balances	79,286	48,606
	<u>586,446</u>	<u>602,547</u>
TOTAL ASSETS	<u>881,880</u>	<u>891,685</u>
EQUITY AND LIABILITIES		
EQUITY		
Share Capital	209,751	208,298
Treasury Shares	(393)	(4,171)
Revaluation Reserve	11,985	12,134
Warrants Reserve	14,749	14,749
Other Reserves	11,837	12,109
Unappropriated Profit	357,105	343,331
TOTAL EQUITY	<u>605,034</u>	<u>586,450</u>
LIABILITIES		
Non-Current Liabilities		
Long Term Borrowings	56,139	48,854
Other Payables	-	265
Lease liabilities	6,844	-
Deferred Tax Liabilities	4,487	4,521
	<u>67,470</u>	<u>53,640</u>
Current Liabilities		
Trade and Other Payables	42,526	49,032
Overdraft and Short Term Borrowings	161,812	194,884
Amount Due to An Associate Company	140	320
Lease liabilities	254	-
Tax Payable	894	3,582
Dividend Payable	3,750	3,777
	<u>209,376</u>	<u>251,595</u>
Total Liabilities	<u>276,846</u>	<u>305,235</u>
TOTAL EQUITY AND LIABILITIES	<u>881,880</u>	<u>891,685</u>
NET ASSETS PER SHARE (RM)	0.81	0.79

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 28 February 2019 and the accompanying explanatory notes attached to the interim financial reports.

**INTERIM FINANCIAL REPORT****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 NOVEMBER 2019**

	GROUP 30/11/2019 RM'000	GROUP 30/11/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	36,447	47,601
Adjustments for:		
Reversal of allowance for impairment of receivables (net)	(766)	(223)
(Reversal of)/allowance for slow moving inventories (net)	(181)	1,647
Amortisation of prepaid land lease payments	-	436
Depreciation of property, plant and equipment	13,232	12,248
Depreciation of right-of-use assets	298	-
Interest expense	7,702	6,732
Bad debts written off	-	10
Interest expense on lease liabilities	290	-
Interest income	(703)	(752)
Gain on disposal of property, plant and equipment	(103)	(115)
Loss/(gain) on fair value of derivatives financial instruments	-	4
Unrealised exchange gain on foreign exchange	(596)	(1,133)
Other non-cash items	1,467	623
Operating profit before changes in working capital	57,087	67,078
Changes in working capital:-		
Inventories	35,625	(53,824)
Receivables	8,759	(10,720)
Payables	(6,262)	8,897
Associate company	2,393	(19,607)
Cash generated from / (used in) operations	97,602	(8,176)
Tax paid (net)	(10,812)	(10,463)
Net cash generated from / (used in) operating activities	86,790	(18,639)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	703	752
Purchase of property, plant and equipment	(10,543)	(3,922)
Proceeds from disposal of property, plant and equipment	923	115
Capital work-in-progress incurred	(2,338)	(7,957)
Net cash used in investing activities	(11,255)	(11,012)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(11,248)	(7,442)
Proceeds from issuance of share capital	1,170	607
Purchase of treasury shares	-	(2,752)
Interest paid	(7,070)	(6,972)
Repayment of lease liabilities	(473)	-
(Repayment of)/proceeds from short-term borrowings	(33,474)	59,953
Drawdown of borrowings	19,349	12,145
Repayment of borrowings	(12,662)	(11,574)
Net cash (used in)/ generated from financing activities	(44,408)	43,965
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,127	14,314
EFFECT OF EXCHANGE RATE CHANGES	(394)	(932)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	51,153	70,223
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	81,886	83,605

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 28 February 2019 and the accompanying explanatory notes attached to the interim financial reports.



PANTECH GROUP HOLDINGS BERHAD

Company No. 200601013856 (733607-W)
(Incorporated in Malaysia)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 NOVEMBER 2019

	Attributable to Owners of the Company								
	Non-Distributable						Distributable		
	Share Capital RM'000	Treasury Shares RM'000	Warrants Reserve RM'000	Revaluation Reserve RM'000	Share Option Reserve RM'000	Exchange Translation Reserve RM'000	Cash Flow Hedge Reserve RM'000	Unappropriated Profits RM'000	Total Equity RM'000
Balance as at 1 March 2018	207,544	(811)	14,749	12,333	2,080	9,546	1,144	306,869	553,454
Transactions with owners:									
Issuance of shares pursuant to exercise of ESOS	754	-	-	-	(147)	-	-	-	607
Acquisition of treasury shares	-	(2,752)	-	-	-	-	-	-	(2,752)
Share options granted under ESOS	-	-	-	-	784	-	-	-	784
Final dividend paid to Shareholders	-	-	-	-	-	-	-	(3,719)	(3,719)
First interim dividend payable to Shareholders	-	-	-	-	-	-	-	(3,705)	(3,705)
Total transactions with owners	754	(2,752)	-	-	637	-	-	(7,424)	(8,785)
Profit for the period	-	-	-	-	-	-	-	36,178	36,178
Other comprehensive income for the period	-	-	-	(149)	-	(1,040)	(71)	149	(1,111)
Total comprehensive income for the period	-	-	-	(149)	-	(1,040)	(71)	36,327	35,067
Balance as at 30 November 2018	208,298	(3,563)	14,749	12,184	2,717	8,506	1,073	335,772	579,736

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 28 February 2019 and the accompanying explanatory notes attached to the interim financial reports



INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 NOVEMBER 2019 (continued)

	← Attributable to Owners of the Company →								
	← Non-Distributable →				→ Distributable				
	Share Capital RM'000	Treasury Shares RM'000	Warrants Reserve RM'000	Revaluation Reserve RM'000	Share Option Reserve RM'000	Exchange Translation Reserve RM'000	Cash Flow Hedge Reserve RM'000	Unappropriated Profits RM'000	Total Equity RM'000
Balance as at 1 March 2019	208,298	(4,171)	14,749	12,134	2,960	8,309	840	343,331	586,450
Transactions with owners:									
Issuance of shares pursuant to exercise of ESOS	1,453	-	-	-	(283)	-	-	-	1,170
Share options granted under ESOS	-	-	-	-	1,252	-	-	-	1,252
Distribution of share dividend declared in prior financial year	-	3,778	-	-	-	-	-	-	3,778
Final dividend paid to Shareholders	-	-	-	-	-	-	-	(7,499)	(7,499)
First interim dividend paid to Shareholders	-	-	-	-	-	-	-	(3,749)	(3,749)
Second interim dividend payable to Shareholders	-	-	-	-	-	-	-	(3,750)	(3,750)
Total transactions with owners	1,453	3,778	-	-	969	-	-	(14,998)	(8,798)
Profit for the period	-	-	-	-	-	-	-	28,623	28,623
Other comprehensive income for the period	-	-	-	(149)	-	(499)	(742)	149	(1,241)
Total comprehensive income for the period	-	-	-	(149)	-	(499)	(742)	28,772	27,382
Balance as at 30 November 2019	209,751	(393)	14,749	11,985	3,929	7,810	98	357,105	605,034

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 28 February 2019 and the accompanying explanatory notes attached to the interim financial reports



INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of Preparation

The interim financial statements have been prepared under the historical cost convention except for the revaluation of properties included within property, plant and equipment and investment properties which are stated at fair value.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) No 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of Listing Requirements of Bursa Malaysia Securities Berhad. These interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”).

The interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 28 February 2019. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 28 February 2019.

A2 Summary of Significant Accounting Policies

(a) Adoption of new or revised MFRSs

Significant accounting policies adopted by the Group in this interim financial statements are consistent with those of the audited financial statements for year ended 28 February 2019, except for adoption of the new and revised MFRSs and IC Interpretations approved by the Malaysian Accounting Standards Board and applicable for current financial year. The initial application of the new and revised MFRSs and interpretations has no material impacts to this interim financial statements except for the following:

MFRS 16 Leases

MFRS 16, Leases replaces the guidance in MFRS 117, Leases, IC Interpretation 4 Determining Whether an Arrangement Contains A Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of A Lease.

Essentially, the new Standard requires all lease arrangements (“right of use assets”) to be recognised on the statements of financial position. The Structure of the statements of profit or loss will change as the previous lease expense will be replaced by a depreciation charge on the right of use assets and the interest expenses on the corresponding lease liability. The related cash flows will be divided into a repayment of the lease liability and interest portion, thus changing the structure of the cash flows.



INTERIM FINANCIAL REPORT

A2 Summary of Significant Accounting Policies (continued)

(a) Adoption of new or revised MFRSs (continued)

MFRS 16 Leases (continued)

The Group will apply MFRS 16 for the first time using the modified retrospective method of which the comparative amounts for the period prior to the first adoption of the new Standard will not be restated. The following analyses the impact of transition to MFRS 16 on the statement of financial position of the Group:

Statement of Financial Position

	Impact of change in accounting policy		
	Closing Balance as at 28 Feb 2019	MFRS 16 adjustment	Opening Balance as at 1 Mar 2019
	RM'000	RM'000	RM'000
Assets			
Property, Plant and Equipment	230,564	32,552	263,116
Right-of-use Assets	-	7,282	7,282
Prepaid Land Lease Payments	32,552	(32,552)	-
	<u>263,116</u>	<u>7,282</u>	<u>270,398</u>
Liabilities			
Lease Liability – Current	-	380	380
Lease Liability – Non-Current	-	6,902	6,902
	<u>-</u>	<u>7,282</u>	<u>7,282</u>

(b) Standards Issued But Not Yet Effective

At the date of authorisation of this interim financial statement, the MASB has approved certain new standards, amendments and interpretations to existing standards which are not yet effective, and have not been early adopted by the Group.

The management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. The initial application of the new standards, amendments and interpretations are not expected to have any material impacts to the interim financial statement of the Group.

A3 Audit Report of Preceding Annual Financial Statement

The audited financial statements of the Company and its subsidiary companies for the financial year ended 28 February 2019 were not subject to any audit qualification.



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A4 Seasonal or Cyclical Factors

The Group's business operations were not affected by any seasonal or cyclical factors.

A5 Significant Matters, Unusual Items or Transactions due to Their Nature, Size or Incidence

There were no significant matters, unusual items or transactions that affected the assets, liabilities, equity, net income and cash flows of the Group during the quarter under review.

A6 Material Changes in Estimates

There were no changes in estimates that have a material effect during the quarter under review.

A7 Debt and Equity Securities

Save as disclosed below, there were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the Company:

a) Treasury Shares

There is no repurchase of ordinary share of its issued share capital during the current financial year-to-date under review.

The Company has the right to cancel, resell any shares purchased and/or distributes as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended.

As at the end of financial year-to-date under review, the number of ordinary shares in issue after deducting treasury shares against equity is 749,900,293 ordinary shares.

b) Employees' Share Option Scheme ("ESOS")

During the current financial year-to-date under review, 2,813,850 number of ordinary shares were issued under the Company's ESOS.



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A8 Dividend Paid

	Current Year To-date RM'000	Preceding Year Corresponding Period RM'000
First interim dividend in respect of financial year ended 29 February 2020, paid on 24 October 2019 Single tier dividend of 0.50 sen per ordinary share	3,749	
Final dividend in respect of financial year ended 28 February 2019, paid on 23 August 2019 Single tier dividend of 1.0 sen per ordinary share	7,499	
Second interim dividend in respect of financial year ended 28 February 2019, paid on 12 April 2019 Share dividend via distribution of treasury shares on the basis of 1 treasury share for every 100 existing ordinary shares held	3,778	
Final dividend in respect of financial year ended 28 February 2018, paid on 20 August 2018 Single tier dividend of 0.50 sen per ordinary share		3,719
Third interim dividend in respect of financial year ended 28 February 2018, paid on 20 April 2018 Single tier dividend of 0.50 sen per ordinary share		3,723
	15,026	7,442



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A9 Segment Information

The Group is principally engaged in the business segments of trading of PVF*, manufacturing of pipes and pipe fittings, galvanising, investments and management.

	Trading of PVF products RM'000	Manufacturing of pipes & pipe fittings, galvanising RM'000	Investment and Management RM'000	Elimination RM'000	Total RM'000
Period Ended 30 November 2019					
Revenue					
External Revenue	256,982	201,585	-	-	458,567
Intersegment revenue	24,008	31,282	14,558	(69,848)	-
Total revenue	280,990	232,867	14,558	(69,848)	458,567
Segment Profit	32,145	12,011	12,365	(12,163)	44,358
Interest income					703
Finance costs					(8,679)
Share of profit in associate					65
Profit before tax					36,447

	Trading of PVF products RM'000	Manufacturing of pipes & pipe fittings, galvanising RM'000	Investment and Management RM'000	Elimination RM'000	Total RM'000
Period Ended 30 November 2018					
Revenue					
External Revenue	293,194	173,410	-	-	466,604
Intersegment revenue	22,881	45,402	12,720	(81,003)	-
Total revenue	316,075	218,812	12,720	(81,003)	466,604
Segment Profit	40,123	14,493	10,000	(10,312)	54,304
Interest income					752
Finance costs					(7,657)
Share of profit in associate					202
Profit before tax					47,601

* PVF: Represents pipes, valves and fittings.



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A9 Segment Information (continued)

Analysis of the Group's revenue by geographical segments:

	Revenue	
	-- 9 months ended 30 November 2019 --	
	Current Year to-date RM'000	Preceding Year Corresponding Period RM'000
Generated by Malaysia operation	500,268	513,876
Generated by overseas operation	28,147	33,731
	528,415	547,607
Inter-segments elimination	(69,848)	(81,003)
	458,567	466,604

A10 Valuation of Property, Plant and Equipment

Property, plant and equipment of the Group are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

There was no changes to the valuation of property, plant and equipment brought forward from the preceding audited financial statements for the financial year ended 28 February 2019.

A11 Material Events Subsequent to the End of the Interim Period

There were no significant material events subsequent to the current financial quarter to date of this announcement, which is likely to substantially affect the results and the operations of the Group.

A12 Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A13 Contingent Liabilities

As at the date of this announcement, there were no material contingent liabilities incurred by the Group which, upon crystallization would have a material impact on the financial position and business of the Group.

The Company has provided the following corporate guarantees to financial institutions and suppliers for credit facilities granted to its subsidiaries: -

	30 November 2019
	RM'000
Corporate guarantees	<u>736,272</u> *

* Represents the total limit of Pantech's corporate guarantee



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A14 Capital Commitments

Authorised capital commitments not provided for in the interim financial statements as at 30 November 2019 are as follows:

	30 November 2019
	RM'000
Approved and contracted for	<u>4,478</u>



INTERIM FINANCIAL REPORT

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1 Review of Performance

Business Segment	Revenue Current Quarter		Revenue 9 months to	
	30-Nov-19	30-Nov-18	30-Nov-19	30-Nov-18
	RM'000	RM'000	RM'000	RM'000
Trading	83,883	94,440	256,982	293,194
Manufacturing	81,630	45,718	201,585	173,410
Investment and Management	-	-	-	-
Consolidated Total	165,513	140,158	458,567	466,604

Business Segment	Profit Before Taxation Current Quarter		Profit Before Taxation 9 months to	
	30-Nov-19	30-Nov-18	30-Nov-19	30-Nov-18
	RM'000	RM'000	RM'000	RM'000
Trading	10,888	11,933	29,525	37,547
Manufacturing	3,350	2,936	11,095	12,974
Investment and Management	(1,375)	(851)	(4,173)	(2,920)
Consolidated Total	12,863	14,018	36,447	47,601

Trading Division

For the current quarter ended 30 November 2019, the trading division recorded lower external revenue of RM83.88 million (Q3FY19: RM94.44 million) and lower segment profit before tax of RM10.89 million (Q3FY19: RM11.93 million), a decrease of approximately RM10.56 million (11.18%) and RM1.05 million (8.77%) respectively.

For the 9 months ended 30 November 2019, the trading division recorded lower external revenue of RM256.98 million (9 months FY19: RM293.19 million) and lower profit before tax of RM29.53 million (9 months FY19: RM37.55 million), a decrease of approximately RM36.21 million (12.35%) and RM8.02 million (21.36%) respectively.

The lower revenue and segment profit before tax for the current quarter and the 9 months ended 30 November 2019 was mainly due to the lower sales demand and delivery in local oil and gas projects.



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B1 Review of Performance (continued)

Manufacturing Division

For the current quarter ended 30 November 2019, the manufacturing division recorded higher external revenue of RM81.63 million (Q3FY19: RM45.72 million) and a higher segment profit before tax of RM3.35 million (Q3FY19: RM2.94 million), an increase of approximately RM35.91 million (78.55%) and RM0.41 million (14.10%) respectively.

For the 9 months ended 30 November 2019, the manufacturing division recorded higher external revenue of RM201.59 million (9 months FY19: RM173.41 million) but lower profit before tax of RM11.10 million (9 months FY19: RM12.97 million), an increase of approximately RM28.18 million (16.25%) and a decrease of RM1.88 million (14.48%) respectively.

The higher sales revenue for the current quarter and 9 months ended 30 November 2019 was mainly due to commencement of shipment to USA by carbon steel manufacturing plant and thus achieving a higher segment profit before tax in the current quarter. Despite higher 9 months' revenue, a lower segment profit before tax for the 9 months ended 30 Nov 2019 was achieved mainly due to initial shipment of carbon steel products which has product mix of lower margin caused by higher cost of production.

Investment and Management Division

This is mainly inter-group dividend and management fees income and group related expenses.

Group Performance

For the current quarter ended 30 November 2019, the Group registered a higher revenue of RM165.51 million (Q3FY19: RM140.16 million) but a lower profit before tax ("PBT") of RM12.86 million (Q3FY19: RM14.02 million). The higher revenue for the current quarter was mainly due to the increase in sales demand in manufacturing division arising from commencement of shipment to USA by carbon steel manufacturing plant. However, a lower segment profit before tax was achieved mainly due to lower sales contribution from trading division.

For the 9 months ended 30 November 2019, the Group registered lower revenue of RM458.57 million (9 months FY19: RM466.60 million) and a lower profit before tax of RM36.45 million (9 months FY19: RM47.60 million). The weaker Group performance was mainly due to the decrease in sales demand and contribution from trading division.

B2 Variation of Results against Preceding Quarter

In the current quarter under review, the Group reported a higher revenue of RM165.51 million compared to the preceding quarter of RM148.03 million mainly due to higher sales contribution from carbon steel manufacturing plant. In line with higher sales, the Group reported a higher profit after taxation ("PAT") of RM10.27 million compared to preceding quarter of RM7.18 million.



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B3 Prospects

The Group remains cautiously optimistic on the development in and challenges faced by the oil and gas industries. The Group will prudently continue to focus and expand on its existing revenue generating businesses and seek opportunities to grow its businesses, both local and overseas, by expanding its capacity as the major pipes, valves and fittings solutions provider to the oil and gas industries, related upstream and downstream industries.

The recent signs of possible easing trade tension is a positive development to the world economy and our export business on a long term basis. The Group sees the opportunities to strengthen both local and overseas business with this positive development and the continuing activities of upstream oil and gas activities in Malaysia and Southeast Asia.

Barring further unforeseen circumstances, the Group expects its overall performance for the current financial year to remain in the positive territory.

B4 Variance on Profit Forecast/Profit Guarantee

There is no profit forecast or guarantee issued by the Group for the current financial year and quarter under review.



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B5 Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year 30-Nov-19 RM'000	Preceding Year Corresponding Quarter 30-Nov-18 RM'000	Current Year To Date 30-Nov-19 RM'000	Preceding Year Corresponding Period 30-Nov-18 RM'000
Current taxation	2,824	3,698	8,152	12,079
(Over) / under provision of taxation in prior year	(494)	(444)	(459)	(460)
Transferred from/(to) deferred tax assets	280	(410)	177	(150)
Crystallization of deferred taxation upon depreciation of revalued assets	(15)	(15)	(46)	(46)
	2,595	2,829	7,824	11,423

Tax expense for the current quarter and financial year-to-date ended 30 November 2019 is derived based on management's best estimate of the tax charges for the year. The effective tax rate of the Group for the current financial quarter and year-to-date is lower than the statutory rate which mainly due to utilisation of the tax incentive by the subsidiary companies.

B6 Status of Corporate Proposals

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



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B7 Group Borrowings and Debt Securities

The Group's borrowings as at the end of the reporting quarter are as follows: -

	Current RM'000	Non-current RM'000
<u>Unsecured: -</u>		
- Term loans	15,398	52,056
- Hire purchase	2,349	4,083
- Bankers' acceptances, trust receipts and other short term loan	126,244	-
- Foreign currency loan	17,821	-
	<u>161,812</u>	<u>56,139</u>

Foreign currency borrowings included above:

	Foreign Currency '000	RM Equivalent '000
US Dollar	4,285	17,821
SGD Dollar	20	61
	<u>4,305</u>	<u>17,882</u>

B8 Material Litigation

There are no pending material litigations as at the date of this quarterly report that has a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings, which might materially affect the position or business of the Group.

B9 Dividends

The Board of Directors has approved and declared a third interim single tier dividend of 0.50 sen per ordinary shares in respect of the financial year ending 29 February 2020 (Preceding year corresponding period: 0.51 sen). The third interim dividend will be paid on 10 April 2020 to shareholders whose name appear on the Company's Record of Depositors on 31 March 2020.

The total dividend per share for the current financial year is 1.50 sen single tier dividend per ordinary share (Preceding year corresponding period: 1.01 sen).



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B10 Earnings per Share

a) Basic Earnings per Share

Basic Earnings Per Share is calculated by dividing profit for the period attributable to owners of the Company by weighted average number of ordinary shares in issue during the period: -

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30-Nov-19 RM'000	30-Nov-18 RM'000	30-Nov-19 RM'000	30-Nov-18 RM'000
Net profit attributable to owners of the Company	10,268	11,189	28,623	36,178
Weighted average number of ordinary share in issue ('000)	749,469	741,745	749,469	741,745
Basic earnings per ordinary share (sen)	1.37	1.51	3.82	4.88

b) Diluted Earnings per Share

The Diluted Earnings per Share is calculated by dividing the profit attributable to the owners of the Company on the weighted average number of ordinary shares in issue during the period which has been adjusted for the dilutive effect of ordinary shares that would be issued upon conversion of ESOS.



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B10 Earnings per Share (continued)

b) Diluted Earnings per Share (continued)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30-Nov-19 RM'000	Preceding Year Corresponding Quarter 30-Nov-18 RM'000	Current Year To Date 30-Nov-19 RM'000	Preceding Year Corresponding Period 30-Nov-18 RM'000
Net profit attributable to owners of the Company:	10,268	11,189	28,623	36,178
Adjusted weighted average number of shares ('000):				
Weighted average number of ordinary share in issue ('000)	749,469	741,745	749,469	741,745
Adjustment for dilutive effect on exercise of Warrants ('000)	-	-	-	-
Adjustment for dilutive effect on exercise of ESOS options ('000)	5,378	4,593	5,378	4,593
	754,847	746,338	754,847	746,338
Diluted earnings per ordinary share (sen)	1.36	1.50	3.79	4.85

B11 Share Buy Back

As at end of current quarter, a total of 770,879 ordinary shares were retained as treasury shares and treated in accordance with the requirement of Section 127 of the Companies Act, 2016. The average price paid for the shares purchased was RM0.51 per share.



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B12 Derivative Financial Instruments

	As at 30-Nov-19	
	Contract/ Notional amount RM'000	Fair value Assets RM'000
Hedging derivatives: -		
Cash flow hedges		
- Cross Currency Swap	2,645	98
		RM'000
<u>Analysed as: -</u>		
Within 1 year		78
More than 1 year but less than 5 years		20
		<u>98</u>

The Group held cross currency swap contracts designated as hedges of cash flow currency risk for certain borrowings. The terms of the cross currency swap contracts have been negotiated to match the terms of the borrowings.

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 28 February 2019:

- (a) the credit risk, market risk and liquidity risk associated with these financial derivatives;
- (b) the cash requirements of the financial derivatives;
- (c) the policy in place for mitigating or controlling the risks associated with these financial derivatives; and
- (d) the related accounting policies.

The cash flow hedges of the borrowings were assessed to be highly effective and a net unrealized loss of approximately RM742,000 relating to the hedging instruments are included in other comprehensive income. None was reclassified from equity to profit or loss during the current financial year.



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B13 Notes to the Condensed Consolidated Statement of Comprehensive Income

	Quarter Ended 30-Nov-19 RM'000	Financial Year Ended 30-Nov-19 RM'000
Interest income	239	703
Other income including investment income	182	594
Interest expense	(2,466)	(7,992)
Depreciation and amortization	(4,562)	(13,530)
Allowance for impairment and write off of receivables	1,148	766
Allowance for slow moving and write off of inventories	(148)	181
Gain/(loss) on disposal of quoted or unquoted investment or properties	-	-
Gain/(loss) on disposal of property, plant and equipment	(285)	103
Impairment of assets	-	-
Realised foreign exchange gain/(loss)	(235)	93
Unrealised foreign exchange gain/(loss)	(54)	596
Gain/(loss) on derivatives	-	-
Exceptional items	-	-

Date: 15th January 2020