



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 29 FEBRUARY 2020**

	Fourth Quarter		Cumulative Quarter	
	Current Year Quarter 29/02/2020 RM'000	Preceding Year Corresponding Quarter 28/02/2019 RM'000	Current Year To Date 29/02/2020 RM'000	Preceding Year Corresponding Period 28/02/2019 RM'000
Revenue	143,905	142,611	602,472	609,215
Operating Expenses	(132,058)	(127,471)	(549,752)	(543,066)
Other Operating Income	973	386	5,162	4,433
Profit from Operations	12,820	15,526	57,882	70,582
Finance Cost	(2,502)	(2,852)	(11,181)	(10,509)
Share of profit in associate company	(28)	517	37	719
Profit before taxation	10,290	13,191	46,738	60,792
Taxation	(3,057)	(1,911)	(10,882)	(13,334)
Profit for the period	7,233	11,280	35,856	47,458
Other comprehensive income net of tax				
Surplus on revaluation of properties	49,201	-	49,201	-
Foreign currency translation differences for foreign operation	206	(197)	(293)	(1,237)
Realisation of revaluation reserve upon depreciation of revalued asset	50	50	199	199
Transfer of revaluation reserve to unappropriated profit	(50)	(50)	(199)	(199)
Fair value (loss) / gain on cash flow hedge	(3)	(234)	(745)	(305)
Total comprehensive income for the period	56,637	10,849	84,019	45,916
Profit for the period attributable to:				
Owners of the Company	7,233	11,280	35,856	47,458
Non-controlling interest	-	-	-	-
	7,233	11,280	35,856	47,458
Total comprehensive income for the period attributable to:				
Owners of the Company	56,637	10,849	84,019	45,916
Non-controlling interest	-	-	-	-
	56,637	10,849	84,019	45,916
Earnings per share				
(a) Basic earnings per ordinary share (sen)	0.97	1.52	4.78	6.40
(b) Diluted earnings per ordinary share (sen)	0.96	1.50	4.76	6.32

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.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2020

	29/02/2020	28/02/2019
	Unaudited	Audited
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, Plant And Equipment	342,601	230,564
Prepaid Land Lease Payments	-	32,552
Capital Work-in-progress	552	13,691
Investment Properties	6,300	6,300
Investment In An Associate Company	2,819	2,782
Derivatives Financial Instruments	20	43
Goodwill on Acquisition	1,190	1,190
Deferred Tax Assets	1,632	2,016
	<u>355,114</u>	<u>289,138</u>
Current Assets		
Inventories	305,583	356,266
Trade and Other Receivables	126,560	157,813
Amount Due from An Associate Company	35,711	36,518
Derivatives Financial Instruments	75	797
Fixed Deposits with Licensed Banks	2,616	2,547
Cash and Bank Balances	86,010	48,606
	<u>556,555</u>	<u>602,547</u>
TOTAL ASSETS	<u>911,669</u>	<u>891,685</u>
EQUITY AND LIABILITIES		
EQUITY		
Share Capital	209,920	208,298
Treasury Shares	(892)	(4,171)
Revaluation Reserve	61,136	12,134
Warrants Reserve	14,749	14,749
Other Reserves	12,410	12,109
Unappropriated Profit	360,641	343,331
TOTAL EQUITY	<u>657,964</u>	<u>586,450</u>
LIABILITIES		
Non-Current Liabilities		
Long Term Borrowings	52,550	48,854
Other Payables	-	265
Lease liabilities	6,779	-
Deferred Tax Liabilities	16,776	4,521
	<u>76,105</u>	<u>53,640</u>
Current Liabilities		
Trade and Other Payables	39,657	49,032
Overdraft and Short Term Borrowings	132,209	194,884
Amount Due to An Associate Company	89	320
Lease liabilities	258	-
Tax Payable	1,641	3,582
Dividend Payable	3,746	3,777
	<u>177,600</u>	<u>251,595</u>
Total Liabilities	<u>253,705</u>	<u>305,235</u>
TOTAL EQUITY AND LIABILITIES	<u>911,669</u>	<u>891,685</u>
NET ASSETS PER SHARE (RM)	0.88	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.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 29 FEBRUARY 2020

	GROUP 29/02/2020 RM'000	GROUP 28/02/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	46,738	60,792
Adjustments for:		
Reversal of allowance for impairment of receivables (net)	(929)	(1,165)
(Reversal of)/allowance for slow moving inventories (net)	(200)	2,452
Amortisation of prepaid land lease payments	-	582
Depreciation of property, plant and equipment	17,748	16,438
Depreciation of right-of-use assets	397	-
Interest expense	9,943	9,348
Bad debts written off	273	18
Interest expense on lease liabilities	387	-
Interest income	(1,125)	(919)
Gain on disposal of property, plant and equipment	(349)	(91)
Fair value gain adjustment on investment properties	-	300
Loss/(gain) on fair value of derivatives financial instruments	-	4
Unrealised exchange (gain) / loss on foreign exchange	(925)	2
Other non-cash items	2,044	324
Operating profit before changes in working capital	74,002	88,085
Changes in working capital:-		
Inventories	50,883	(82,624)
Receivables	30,147	11,687
Payables	(8,779)	2,379
Associate company	576	(30,068)
Cash generated from / (used in) operations	146,829	(10,541)
Tax paid (net)	(11,400)	(15,866)
Net cash generated from / (used in) operating activities	135,429	(26,407)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,125	919
Purchase of property, plant and equipment	(13,031)	(20,293)
Proceeds from disposal of property, plant and equipment	1,168	115
Capital work-in-progress incurred	(2,199)	(13,775)
Net cash used in investing activities	(12,937)	(33,034)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(14,998)	(11,141)
Proceeds from issuance of share capital	1,306	607
Purchase of treasury shares	(499)	(3,360)
Interest paid	(9,292)	(9,370)
Repayment of lease liabilities	(631)	-
(Repayment of)/proceeds from short-term borrowings	(61,613)	56,363
Drawdown of borrowings	21,004	22,634
Repayment of borrowings	(17,906)	(16,321)
Net cash (used in)/ generated from financing activities	(82,629)	39,412
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	39,863	(20,029)
EFFECT OF EXCHANGE RATE CHANGES	(276)	(1,155)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	49,039	70,223
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	88,626	49,039

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.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 29 FEBRUARY 2020

	← 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	755	-	-	-	(148)	-	-	-	607
Acquisition of treasury shares	-	(3,360)	-	-	-	-	-	-	(3,360)
Share options granted under ESOS	-	-	-	-	1,028	-	-	-	1,028
Final dividend paid to Shareholders	-	-	-	-	-	-	-	(3,719)	(3,719)
First interim dividend paid to Shareholders	-	-	-	-	-	-	-	(3,699)	(3,699)
Second interim share dividend payable to Shareholders	-	-	-	-	-	-	-	(3,778)	(3,778)
Total transactions with owners	755	(3,360)	-	-	880	-	-	(11,196)	(12,921)
Profit for the period	-	-	-	-	-	-	-	47,458	47,458
Other comprehensive income for the period	-	-	-	(199)	-	(1,237)	(304)	199	(1,541)
Total comprehensive income for the period	-	-	-	(199)	-	(1,237)	(304)	47,657	45,917
Balance as at 28 February 2019	208,299	(4,171)	14,749	12,134	2,960	8,309	840	343,330	586,450

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



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 29 FEBRUARY 2020 (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	1,622	-	-	-	(316)	-	-	-	1,306
Acquisition of treasury shares	-	(499)	-	-	-	-	-	-	(499)
Share options granted under ESOS	-	-	-	-	1,655	-	-	-	1,655
Acquisition of interest in subsidiary	-	-	-	-	-	-	-	-	-
Revaluation surplus on Properties	-	-	-	-	-	-	-	-	-
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 paid to Shareholders	-	-	-	-	-	-	-	(3,750)	(3,750)
Third interim dividend payable to Shareholders	-	-	-	-	-	-	-	(3,747)	(3,747)
Total transactions with owners	1,622	3,279	-	-	1,339	-	-	(18,745)	(12,505)
Profit for the period	-	-	-	-	-	-	-	35,856	35,856
Other comprehensive income for the period	-	-	-	49,002	-	(293)	(745)	199	48,163
Total comprehensive income for the period	-	-	-	49,002	-	(293)	(745)	36,055	84,019
Balance as at 29 February 2020	209,920	(892)	14,749	61,136	4,299	8,016	95	360,641	657,964



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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.



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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

During the current financial year-to-date under review, the Company had purchased 1,037,100 ordinary share or 0.14% of its issued share capital from the open market at the average price paid of RM0.48 per share. The purchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act, 2016.

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 749,190,693 ordinary shares.

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

During the current financial year-to-date under review, 3,141,350 number of ordinary shares were issued under the Company's ESOS.

c) Warrants 2010/2020 ("Warrant A") and Warrants 2016/2021 ("Warrant B")

During the current financial year-to-date under review, a total of 60 units of Warrants A and 38 units of Warrants B were exercised at the exercise price of RM0.50 per unit.



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A8 Dividend Paid

	Current Year To-date RM'000	Preceding Year Corresponding Period RM'000
Second interim dividend in respect of financial year ended 29 February 2020, paid on 17 January 2020 Single tier dividend of 0.50 sen per ordinary share	3,750	
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	
First interim dividend in respect of financial year ended 28 February 2019, paid on 18 January 2019 Single tier dividend of 0.50 sen per ordinary share		3,699
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
	18,776	11,141

Subsequent to the interim financial period ended 29 February 2020, the Company had on 10 April 2020 paid a third interim single tier dividend of 0.50 sen per ordinary share in respect of financial year ended 29 February 2020, amounting to RM3.746 million.



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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 29 February 2020					
Revenue					
External Revenue	346,100	256,372	-	-	602,472
Intersegment revenue	35,669	44,664	20,611	(100,944)	-
Total revenue	381,769	301,036	20,611	(100,944)	602,472
Segment Profit	48,820	13,825	19,014	(24,902)	56,757
Interest income					1,125
Finance costs					(11,181)
Share of profit in associate					37
Profit before tax					46,738

	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 28 February 2019					
Revenue					
External Revenue	387,103	222,112	-	-	609,215
Intersegment revenue	27,838	56,870	19,767	(104,475)	-
Total revenue	414,941	278,982	19,767	(104,475)	609,215
Segment Profit	52,933	16,540	16,080	(15,890)	69,663
Interest income					919
Finance costs					(10,509)
Share of profit in associate					719
Profit before tax					60,792

* PVF: Represents pipes, valves and fittings.



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A9 Segment Information (continued)

Analysis of the Group's revenue by geographical segments:

	Revenue	
	Current Year to-date RM'000	Preceding Year Corresponding Period RM'000
Generated by Malaysia operation	667,490	672,893
Generated by overseas operation	35,926	40,797
	703,416	713,690
Inter-segments elimination	(100,944)	(104,475)
	602,472	609,215

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.

During the quarter under review, a revaluation exercise was carried out for land and buildings of the Group. The resulting revaluation surplus and deficit has been accounted into the financial statements of the Group as at 29 February 2020.

A11 Material Events Subsequent to the End of the Interim Period

Subsequent to the end of the current financial quarter, the Malaysian Government had imposed the Movement Control Order ("MCO") from 18 March 2020 to 3 May 2020, Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020 and Recovery Movement Control Order ("RMCO") from 10 June 2020 to 31 August 2020 to control the outbreak of Coronavirus Disease 2019 ("COVID-19") in Malaysia. These restrictions have adversely impacted the Group for the first Quarter of FY2021 because all subsidiaries with the exception of one are non-essential services and are not allow to operate during MCO.

A12 Changes in the Composition of the Group

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



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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: -

	29 February 2020
	RM'000
Corporate guarantees	<u>736,416</u> *

* Represents the total limit of Pantech's corporate guarantee

A14 Capital Commitments

Authorised capital commitments not provided for in the interim financial statements as at 29 February 2020 are as follows:

	29 February 2020
	RM'000
Approved and contracted for	<u><u>4,317</u></u>



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

B1 Review of Performance

Business Segment	Revenue Current Quarter		Revenue 12 months to	
	29-Feb-20	28-Feb-19	29-Feb-20	28-Feb-19
	RM'000	RM'000	RM'000	RM'000
Trading	89,118	93,909	346,100	387,103
Manufacturing	54,787	48,702	256,372	222,112
Investment and Management	-	-	-	-
Consolidated Total	143,905	142,611	602,472	609,215

Business Segment	Profit Before Taxation Current Quarter		Profit Before Taxation 12 months to	
	29-Feb-20	28-Feb-19	29-Feb-20	28-Feb-19
	RM'000	RM'000	RM'000	RM'000
Trading	10,088	13,073	39,614	50,622
Manufacturing	1,707	1,814	12,802	14,788
Investment and Management	(1,505)	(1,696)	(5,678)	(4,618)
Consolidated Total	10,290	13,191	46,738	60,792

Trading Division

For the current quarter ended 29 February 2020, the trading division recorded lower external revenue of RM89.12 million (Q4FY19: RM93.91 million) and lower segment profit before tax of RM10.09 million (Q4FY19: RM13.07 million), a decrease of approximately RM4.79 million (5.10%) and RM2.98 million (22.8%) respectively.

For the 12 months ended 29 February 2020, the trading division recorded lower external revenue of RM346.10 million (12 months FY19: RM387.10 million) and lower profit before tax of RM39.61 million (12 months FY19: RM50.62 million), a decrease of approximately RM41 million (10.59%) and RM11.01 million (21.75%) respectively.

The lower revenue and segment profit before tax for the current quarter and the 12 months ended 29 February 2020 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 29 February 2020, the manufacturing division recorded higher external revenue of RM54.79 million (Q4FY19: RM48.70 million) but a lower segment profit before tax of RM1.71 million (Q4FY19: RM1.81 million), an increase of approximately RM6.09 million (12.51%) and a decrease of approximately RM0.10 million (5.52%) respectively.

For the 12 months ended 29 February 2020, the manufacturing division recorded higher external revenue of RM256.37 million (12 months FY19: RM222.11 million) but lower profit before tax of RM12.80 million (12 months FY19: RM14.79 million), an increase of approximately RM34.26 million (15.42%) and a decrease of RM1.99 million (13.46%) respectively.

The higher sales revenue for the current quarter and 12 months ended 29 February 2020 was mainly due to commencement of shipment to USA by carbon steel manufacturing plant. Despite higher revenue, a lower segment profit before tax for the current quarter and 12 months ended 29 February 2020 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 29 February 2020, the Group registered a higher revenue of RM143.91 million (Q4FY19: RM142.61 million) but a lower profit before tax ("PBT") of RM10.29 million (Q4FY19: RM13.19 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 12 months ended 29 February 2020, the Group registered lower revenue of RM602.47 million (12 months FY19: RM609.22 million) and a lower profit before tax of RM46.74 million (12 months FY19: RM60.79 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 lower revenue of RM143.91 million compared to the preceding quarter of RM165.51 million mainly due to the slower export shipments from manufacturing division. In line with lower sales, the Group reported a lower profit after taxation ("PAT") of RM7.23 million compared to preceding quarter of RM10.27 million.



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B3 Prospects

The Group remains cautious on the impact of COVID-19 to the economic activities and the challenges faced by the oil and gas industries during current low oil prices.

However, with the recent gradual opening of economic sectors, both domestic and internationally, the Group believes a recovery of economy post COVID-19 would provide support to all industries including oil and gas industries. Thus the long term business outlook continues to be cautiously positive.

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 enhancing its competitiveness as the major pipes, valves and fittings solutions provider to the oil and gas industries, related upstream and downstream industries. The Group will seek to secure orders from its customers aggressively from both domestic and export markets.

Barring further unforeseen circumstances, the Group expects its overall performance for the next financial year to remain profitable.

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 29-Feb-20 RM'000	Preceding Year Corresponding Quarter 28-Feb-19 RM'000	Current Year To Date 29-Feb-20 RM'000	Preceding Year Corresponding Period 28-Feb-19 RM'000
Current taxation	2,838	2,552	10,990	14,630
(Over) / under provision of taxation in prior year	6	(38)	(452)	(498)
Transferred from/(to) deferred tax assets	228	(15)	405	(165)
Transferred to/(from) deferred tax liabilities	0	(572)	0	(572)
Crystallization of deferred taxation upon depreciation of revalued assets	(15)	(16)	(61)	(61)
	3,057	1,911	10,882	13,334

Tax expense for the current quarter and financial year-to-date ended 29 February 2020 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 year-to-date is lower than the statutory rate is 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	15,950	48,516
- Hire purchase	2,447	4,034
- Bankers' acceptances, trust receipts and other short term loan	98,161	-
- Foreign currency loan	15,651	-
	<u>132,209</u>	<u>52,550</u>

Foreign currency borrowings included above:

	Foreign Currency '000	RM Equivalent '000
US Dollar	3,511	14,616
SGD Dollar	16	47
GBP Pound	192	1,035

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 share dividend distribution of approximately 7.42 million treasury shares on the basis of 1 treasury share for every 100 existing ordinary shares. Based on the treasury shares book cost, the share dividend is equivalent to approximately 0.39 sen per share (Preceding year corresponding quarter: 1.0 sen). The share dividend will be credited to the entitled shareholders' Depositor's Securities Account on 18 August 2020 whose name appear on the Company's Record of Depositors on 30 July 2020.

The total dividend per share for the current financial year is equivalent to 1.89 sen single per ordinary share (Preceding year corresponding period: 2.01 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
	29-Feb-20 RM'000	28-Feb-19 RM'000	29-Feb-20 RM'000	28-Feb-19 RM'000
Net profit attributable to owners of the Company	7,233	11,280	35,856	47,458
Weighted average number of ordinary share in issue ('000)	749,434	740,963	749,434	740,963
Basic earnings per ordinary share (sen)	0.97	1.52	4.78	6.40

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 29-Feb-20 RM'000	Preceding Year Corresponding Quarter 28-Feb-19 RM'000	Current Year To Date 29-Feb-20 RM'000	Preceding Year Corresponding Period 28-Feb-19 RM'000
Net profit attributable to owners of the Company:	7,233	11,280	35,856	47,458
Adjusted weighted average number of shares ('000):				
Weighted average number of ordinary share in issue ('000)	749,434	740,963	749,434	740,963
Adjustment for dilutive effect on exercise of Warrants ('000)	-	2,091	-	2,091
Adjustment for dilutive effect on exercise of ESOS options ('000)	3,763	7,755	3,763	7,755
	753,197	750,809	753,197	750,809
Diluted earnings per ordinary share (sen)	0.96	1.50	4.76	6.32

B11 Share Buy Back

As at end of current quarter, a total of 1,807,979 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 RM0.49 per share.



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B12 Derivative Financial Instruments

	As at 29-Feb-20	
	Contract/ Notional amount RM'000	Fair value Assets RM'000
Hedging derivatives: -		
Cash flow hedges		
- Cross Currency Swap	<u>2,655</u>	<u>95</u>
		RM'000
<u>Analysed as: -</u>		
Within 1 year		75
More than 1 year but less than 5 years		<u>20</u>
		<u>95</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 RM745,000 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 29-Feb-20 RM'000	Financial Year Ended 29-Feb-20 RM'000
Interest income	422	1,125
Other income including investment income	181	775
Interest expense	(2,338)	(10,330)
Depreciation and amortization	(4,615)	(18,145)
(Allowance)/Reversal for impairment and write off of receivables	(110)	656
Allowance for slow moving and write off of inventories	19	200
Gain/(loss) on disposal of quoted or unquoted investment or properties	-	-
Gain/(loss) on disposal of property, plant and equipment	246	349
Impairment of assets	-	-
Realised foreign exchange gain/(loss)	(443)	(350)
Unrealised foreign exchange gain/(loss)	329	925
Gain/(loss) on derivatives	-	-
Exceptional items	-	-

Date: 11 June 2020