



**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 31 AUGUST 2020**

	Second Quarter		Cumulative Quarter	
	Current Year Quarter 31/08/2020 RM'000	Preceding Year Corresponding Quarter 31/08/2019 RM'000	Current Year To Date 31/08/2020 RM'000	Preceding Year Corresponding Period 31/08/2019 RM'000
<b>Revenue</b>	<b>136,310</b>	148,031	<b>216,973</b>	293,055
Operating Expenses	(121,220)	(136,924)	(205,076)	(265,997)
Other Operating Income	313	1,044	837	2,421
<b>Profit from Operations</b>	<b>15,403</b>	<b>12,151</b>	<b>12,734</b>	<b>29,479</b>
Finance Cost	(1,878)	(2,807)	(3,847)	(5,955)
Share of profit in associate company	(3)	(45)	9	63
<b>Profit before taxation</b>	<b>13,522</b>	<b>9,299</b>	<b>8,896</b>	<b>23,587</b>
Taxation	(2,801)	(2,119)	(3,726)	(5,230)
<b>Profit for the period</b>	<b>10,721</b>	<b>7,180</b>	<b>5,170</b>	<b>18,357</b>
<b>Other comprehensive income net of tax</b>				
Foreign currency translation differences for foreign operation	1,092	(1,526)	1,098	(1,668)
Realisation of revaluation reserve upon depreciation of revalued asset	226	49	453	99
Transfer of revaluation reserve to unappropriated profit	(226)	(49)	(453)	(99)
Fair value loss on cash flow hedge	(1)	(296)	(69)	(728)
<b>Total comprehensive income for the period</b>	<b>11,812</b>	<b>5,358</b>	<b>6,199</b>	<b>15,961</b>
<b>Profit for the period attributable to:</b>				
Owners of the Company	10,721	7,180	5,170	18,357
Non-controlling interest	-	-	-	-
	<b>10,721</b>	<b>7,180</b>	<b>5,170</b>	<b>18,357</b>
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the Company	11,812	5,358	6,199	15,961
Non-controlling interest	-	-	-	-
	<b>11,812</b>	<b>5,358</b>	<b>6,199</b>	<b>15,961</b>
<b>Earnings per share</b>				
(a) Basic earnings per ordinary share (sen)	<b>1.44</b>	<b>0.96</b>	<b>0.69</b>	<b>2.45</b>
(b) Diluted earnings per ordinary share (sen)	<b>1.44</b>	<b>0.95</b>	<b>0.69</b>	<b>2.43</b>

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 29 February 2020 and the accompanying explanatory notes attached to the interim financial reports.

**INTERIM FINANCIAL REPORT****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 AUGUST 2020**

	31/08/2020	29/02/2020
	Unaudited	Audited
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant And Equipment	337,703	343,539
Capital Work-in-progress	2,209	561
Investment Properties	6,300	6,300
Investment In An Associate Company	2,828	2,819
Derivatives Financial Instruments	-	20
Goodwill on Acquisition	1,194	1,194
Deferred Tax Assets	4	4
	<u>350,238</u>	<u>354,437</u>
<b>Current Assets</b>		
Inventories	294,863	305,254
Trade and Other Receivables	110,822	124,810
Amount Due from An Associate Company	25,801	35,711
Derivatives Financial Instruments	29	75
Fixed Deposits with Licensed Banks	2,645	2,616
Cash and Bank Balances	111,129	86,085
	<u>545,289</u>	<u>554,551</u>
<b>TOTAL ASSETS</b>	<u>895,527</u>	<u>908,988</u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share Capital	209,924	209,920
Treasury Shares	(328)	(892)
Revaluation Reserve	61,297	61,750
Warrants Reserve	14,749	14,749
Other Reserves	13,916	12,494
Unappropriated Profit	361,370	360,866
<b>TOTAL EQUITY</b>	<u>660,928</u>	<u>658,887</u>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Long Term Borrowings	45,733	48,526
Lease liabilities	10,450	10,815
Deferred Tax Liabilities	13,965	14,469
	<u>70,148</u>	<u>73,810</u>
<b>Current Liabilities</b>		
Trade and Other Payables	32,475	38,263
Overdraft and Short Term Borrowings	124,426	129,759
Amount Due to An Associate Company	212	89
Lease liabilities	2,773	2,807
Tax Payable	2,315	1,656
Dividend Payable	2,250	3,717
	<u>164,451</u>	<u>176,291</u>
<b>Total Liabilities</b>	<u>234,599</u>	<u>250,101</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>895,527</u>	<u>908,988</u>
<b>NET ASSETS PER SHARE (RM)</b>	<b>0.88</b>	<b>0.88</b>

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 29 February 2020 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 31 AUGUST 2020

	GROUP 31/08/2020 RM'000	GROUP 31/08/2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	8,896	23,587
Adjustments for:		
Allowance for impairment of receivables (net)	1,588	382
Reversal of allowance for slow moving inventories	(239)	(329)
Depreciation of property, plant and equipment	7,798	8,769
Depreciation of right-of-use assets	1,837	199
Interest expense	3,214	5,333
Bad debts written off	396	-
Interest expense on lease liabilities	363	193
Interest income	(549)	(464)
Gain on disposal of property, plant and equipment	(13)	(388)
Gain on fair value of derivatives financial instruments	(4)	-
Unrealised exchange loss / (gain) on foreign exchange	366	(650)
Other non-cash items	387	983
<b>Operating profit before changes in working capital</b>	<b>24,040</b>	<b>37,615</b>
Changes in working capital:-		
Inventories	10,630	13,018
Receivables	11,243	17,188
Payables	(6,320)	16,215
Associate company	10,034	(1,987)
<b>Cash generated from operations</b>	<b>49,627</b>	<b>82,049</b>
Tax paid (net)	(3,166)	(6,423)
<b>Net cash generated from operating activities</b>	<b>46,461</b>	<b>75,626</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	549	464
Purchase of property, plant and equipment	(3,438)	(5,515)
Proceeds from disposal of property, plant and equipment	39	666
Capital work-in-progress incurred	(1,700)	(2,038)
<b>Net cash used in investing activities</b>	<b>(4,550)</b>	<b>(6,423)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(3,717)	(7,499)
Proceeds from issuance of share capital	3	1,170
Purchase of treasury shares	(2,305)	-
Interest paid	(3,081)	(4,987)
Repayment of lease liabilities	(400)	(316)
Repayment of short-term borrowings	(4,281)	(24,407)
Drawdown of borrowings	-	19,349
Repayment of borrowings	(3,835)	(10,120)
<b>Net cash used in financing activities</b>	<b>(17,616)</b>	<b>(26,810)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>24,295</b>	<b>42,393</b>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<b>778</b>	<b>(950)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>88,701</b>	<b>51,153</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>113,774</b>	<b>92,596</b>

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 29 February 2020 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 31 AUGUST 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
<b>Balance as at 1 March 2019</b>	208,298	(4,171)	14,749	12,134	2,960	8,309	840	343,331	586,450
<b>Transactions with owners:</b>									
Issuance of shares pursuant to exercise of ESOS	1,453	-	-	-	(283)	-	-	-	1,170
Share options granted under ESOS	-	-	-	-	823	-	-	-	823
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 payable to Shareholders	-	-	-	-	-	-	-	(3,749)	(3,749)
<b>Total transactions with owners</b>	<b>1,453</b>	<b>3,778</b>	<b>-</b>	<b>-</b>	<b>540</b>	<b>-</b>	<b>-</b>	<b>(11,248)</b>	<b>(5,477)</b>
Profit for the period	-	-	-	-	-	-	-	18,357	18,357
Other comprehensive income for the period	-	-	-	(99)	-	(1,668)	(728)	99	(2,396)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(99)</b>	<b>-</b>	<b>(1,668)</b>	<b>(728)</b>	<b>18,456</b>	<b>15,961</b>
<b>Balance as at 31 August 2019</b>	<b>209,751</b>	<b>(393)</b>	<b>14,749</b>	<b>12,035</b>	<b>3,500</b>	<b>6,641</b>	<b>112</b>	<b>350,539</b>	<b>596,934</b>

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 29 February 2020 and the accompanying explanatory notes attached to the interim financial reports



**PANTECH GROUP HOLDINGS BERHAD**

Company No. 200601013856 (733607-W)  
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**INTERIM FINANCIAL REPORT**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 AUGUST 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 RM'000	Total Equity RM'000
<b>Balance as at 1 March 2020</b>	209,920	(892)	14,749	61,750	4,297	8,102	95	360,866	658,887	658,887
<b>Transactions with owners:</b>										
Issuance of shares pursuant to exercise of ESOS	4	-	-	-	(1)	-	-	-	3	3
Acquisition of treasury shares	-	(2,305)	-	-	-	-	-	-	(2,305)	(2,305)
Share options granted under ESOS	-	-	-	-	394	-	-	-	394	394
Fourth interim share dividend distributed to Shareholders	-	2,869	-	-	-	-	-	(2,869)	-	-
First interim dividend payable to Shareholders	-	-	-	-	-	-	-	(2,250)	(2,250)	(2,250)
<b>Total transactions with owners</b>	<b>4</b>	<b>564</b>	<b>-</b>	<b>-</b>	<b>393</b>	<b>-</b>	<b>-</b>	<b>(5,119)</b>	<b>(4,158)</b>	<b>(4,158)</b>
Profit for the period	-	-	-	-	-	-	-	5,170	5,170	5,170
Other comprehensive income for the period	-	-	-	(453)	-	1,098	(69)	453	1,029	1,029
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(453)</b>	<b>-</b>	<b>1,098</b>	<b>(69)</b>	<b>5,623</b>	<b>6,199</b>	<b>6,199</b>
<b>Balance as at 31 August 2020</b>	<b>209,924</b>	<b>(328)</b>	<b>14,749</b>	<b>61,297</b>	<b>4,690</b>	<b>9,200</b>	<b>26</b>	<b>361,370</b>	<b>660,928</b>	<b>660,928</b>

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 29 February 2020 and the accompanying explanatory notes attached to the interim financial reports



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## INTERIM FINANCIAL REPORT

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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 29 February 2020. 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 29 February 2020.

#### 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 29 February 2020, 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.

##### (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.

##### (i) Amendments effective for annual periods beginning on or after 1 June 2020

- Amendments to MFRS 16, *Leases*

##### (ii) MFRS effective for annual periods beginning on or 1 January 2021

- MFRS 17 – *Insurance Contracts*\*



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## INTERIM FINANCIAL REPORT

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**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**

**A2 Summary of Significant Accounting Policies (continued)**

**(b) Standards Issued But Not Yet Effective (continued)**

**(iii) Amendments effective for annual periods beginning on or 1 January 2022**

- Amendments to MFRS 3 – *Business Combinations*
- Amendments to MFRS 101 – *Presentation of Financial Statements*
- Amendments to MFRS 116 – *Property, Plant and Equipment*
- Amendments to MFRS 137 – *Provisions, Contingent Liabilities and Contingent Assets*
- Annual Improvements to MFRS Standards 2018 – 2020

**(iv) Amendments effective for date yet to be confirmed**

- Amendments to MFRS 10 – *Consolidated Financial Statements*
- Amendments to MFRS 128 – *Investments in Associates and Joint Ventures*

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 29 February 2020 were not subject to any audit qualification.

**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.



## **INTERIM FINANCIAL REPORT**

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### **A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**

#### **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 6,464,100 ordinary share or 0.86% of its issued share capital from the open market at the average price paid of RM0.36 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 750,158,479 ordinary shares.

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

During the current financial year-to-date under review, 8,000 number of ordinary shares were issued under the Company's ESOS.





## INTERIM FINANCIAL REPORT

**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**

**A8 Dividend Paid**

	<b>Current Year To-date RM'000</b>	<b>Preceding Year Corresponding Period RM'000</b>
<b>Fourth interim dividend in respect of financial year ended 29 February 2020, paid on 18 August 2020</b> Share dividend via distribution of treasury shares on the basis of 1 treasury share for every 100 existing ordinary shares held	<b>2,869</b>	
<b>Third interim dividend in respect of financial year ended 29 February 2020, paid on 10 April 2020</b> Single tier dividend of 0.50 sen per ordinary share	<b>3,717</b>	
<b>Final dividend in respect of financial year ended 28 February 2019, paid on 23 August 2019</b> Single tier dividend of 1.0 sen per ordinary share		7,499
<b>Second interim dividend in respect of financial year ended 28 February 2019, paid on 12 April 2019</b> Share dividend via distribution of treasury shares on the basis of 1 treasury share for every 100 existing ordinary shares held		3,778
	<b>6,586</b>	11,277

Subsequent to the interim financial period ended 31 August 2020, the Company had on 25 September 2020 paid a first interim single tier dividend of 0.30 sen per ordinary share in respect of financial year ended 28 February 2021, amounting to approximately RM2.25 million.



## INTERIM FINANCIAL REPORT

### A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

#### 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.

	<b>Trading of PVF products  RM'000</b>	<b>Manufacturing of pipes &amp; pipe fittings, galvanising  RM'000</b>	<b>Investment and Management  RM'000</b>	<b>Elimination  RM'000</b>	<b>Total  RM'000</b>
<b>Period Ended 31 August 2020</b>					
<b>Revenue</b>					
External Revenue	123,636	93,337	-	-	216,973
Intersegment revenue	12,968	16,148	13,589	(42,705)	-
<b>Total revenue</b>	<b>136,604</b>	<b>109,485</b>	<b>13,589</b>	<b>(42,705)</b>	<b>216,973</b>
<b>Segment Profit / (Loss)</b>	<b>11,598</b>	<b>(348)</b>	<b>12,453</b>	<b>(11,518)</b>	<b>12,185</b>
Interest income					549
Finance costs					(3,847)
Share of profit in associate					9
<b>Profit before tax</b>					<b>8,896</b>
	<b>Trading of PVF products  RM'000</b>	<b>Manufacturing of pipes &amp; pipe fittings, galvanising  RM'000</b>	<b>Investment and Management  RM'000</b>	<b>Elimination  RM'000</b>	<b>Total  RM'000</b>
<b>Period Ended 31 August 2019</b>					
<b>Revenue</b>					
External Revenue	173,100	119,955	-	-	293,055
Intersegment revenue	17,479	19,181	9,542	(46,202)	-
<b>Total revenue</b>	<b>190,579</b>	<b>139,136</b>	<b>9,542</b>	<b>(46,202)</b>	<b>293,055</b>
<b>Segment Profit</b>	<b>20,348</b>	<b>8,364</b>	<b>8,028</b>	<b>(7,725)</b>	<b>29,015</b>
Interest income					464
Finance costs					(5,955)
Share of profit in associate					63
<b>Profit before tax</b>					<b>23,587</b>

\* PVF: Represents pipes, valves and fittings.



## INTERIM FINANCIAL REPORT

### A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

#### 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	242,819	321,201
Generated by overseas operation	16,859	18,056
	259,678	339,257
Inter-segments elimination	(42,705)	(46,202)
	216,973	293,055

#### 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 change to the valuation of property, plant and equipment brought forward from the preceding audited financial statements for the financial year ended 29 February 2020.

#### 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: -

	<b>31 August 2020</b>
	<b>RM'000</b>
Corporate guarantees	<u>565,189</u> *

\* Represents the total limit of Pantech's corporate guarantee



## **INTERIM FINANCIAL REPORT**

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**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**

**A14 Capital Commitments**

Authorised capital commitments not provided for in the interim financial statements as at 31 August 2020 are as follows:

	<b>31 August 2020</b>
	<b>RM'000</b>
Approved and contracted for	<u>6,564</u>



## INTERIM FINANCIAL REPORT

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

**B1 Review of Performance**

<b>Business Segment</b>	<b>Revenue Current Quarter</b>		<b>Revenue 6 months to</b>	
	<b>31-Aug-20</b>	<b>31-Aug-19</b>	<b>31-Aug-20</b>	<b>31-Aug-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trading	74,591	82,818	123,636	173,100
Manufacturing	61,719	65,213	93,337	119,955
Investment and Management	-	-	-	-
<b>Consolidated Total</b>	<b>136,310</b>	<b>148,031</b>	<b>216,973</b>	<b>293,055</b>

<b>Business Segment</b>	<b>Profit Before Taxation Current Quarter</b>		<b>Profit Before Taxation 6 months to</b>	
	<b>31-Aug-20</b>	<b>31-Aug-19</b>	<b>31-Aug-20</b>	<b>31-Aug-19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trading	8,697	7,743	11,198	18,639
Manufacturing	6,192	3,085	100	7,745
Investment and Management	(1,367)	(1,529)	(2,402)	(2,797)
<b>Consolidated Total</b>	<b>13,522</b>	<b>9,299</b>	<b>8,896</b>	<b>23,587</b>

**Trading Division**

For the current quarter ended 31 August 2020, the trading division recorded lower external revenue of RM74.59 million (Q2FY20: RM82.82 million) but higher segment profit before tax of RM8.70 million (Q2FY20: RM7.74 million), a decrease of approximately RM8.23 million (9.93%) and an increase of RM0.95 million (12.32%) respectively.

The lower revenue was mainly due to the decrease in sales demand in local oil and gas sectors. Despite the lower sales demand, the better product mix has contributed a higher segment profit for the current quarter ended 31 August 2020.

For the 6 months ended 31 August 2020, the trading division recorded lower external revenue of RM123.64 million (6 months FY20: RM173.1 million) and lower profit before tax of RM11.20 million (6 months FY20: RM 18.64 million), a decrease of approximately RM49.46 million (28.58%) and RM7.44 million (39.92%) respectively.



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## INTERIM FINANCIAL REPORT

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (CONTINUED)**

**B1 Review of Performance (continued)**

**Trading Division (continued)**

The lower revenue and segment profit before tax for the 6 months ended 31 August 2020 was mainly due to temporary stop of business operation during Movement Control Order imposed by the government of Malaysia.

**Manufacturing Division**

For the current quarter ended 31 August 2020, the manufacturing division recorded lower external revenue of RM61.72 million (Q2FY20: RM65.21 million) but a higher segment profit before tax of RM6.2 million (Q2FY20: RM3.09 million), a decrease of approximately RM3.5 million (5.36%) and an increase of RM3.11 million (100.75%) respectively.

The lower revenue for the current quarter was mainly due to softer sales demand from export markets. Despite lower revenue, the higher segment profit before tax achieved was mainly due to higher contribution from better product mix by carbon steel manufacturing division.

For the 6 months ended 31 August 2020, the manufacturing division recorded lower external revenue of RM93.34 million (6 months FY20: RM119.96 million) and lower profit before tax of RM0.1 million (6 months FY20: RM7.75 million), a decrease of approximately RM26.62 million (22.19%) and RM7.65 million (98.71%) respectively.

The lower revenue and segment profit before tax for the current 6 months ended 31 August 2020 compare to preceding year were mainly due to two manufacturing plants were unable to operate during Movement Control Order imposed by the government of Malaysia.

**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 31 August 2020, the Group registered a lower revenue of RM136.31 million (Q2FY20: RM148.03 million) but higher profit before tax ("PBT") of RM13.52 million (Q2FY20: RM9.3 million). The higher profit before tax was mainly due to the better product mix in trading division and higher contribution from carbon steel manufacturing division.



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## INTERIM FINANCIAL REPORT

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (CONTINUED)**

**B1 Review of Performance (continued)**

**Group Performance (continued)**

For the 6 months ended 31 August 2020, the Group registered lower revenue of RM216.97 million (6 months FY20: RM293.06 million) and lower profit before tax of RM8.90 million (6 months FY20: RM23.59 million). The weaker performance was mainly due to certain subsidiaries were unable to operate during the Movement Control Order imposed by Government of Malaysia.

**B2 Variation of Results against Preceding Quarter**

In the current quarter under review, the Group reported a higher revenue of RM136.31 million compared to the preceding quarter of RM80.6 million, and profit after taxation ("PAT") of RM10.72 million compared to preceding quarter's loss after taxation "LAT" of RM5.55 million. The increase in revenue and PAT was mainly due to resumption of normal business operation for both trading and manufacturing divisions after the Movement Control Order imposed by the government of Malaysia was lifted.

**B3 Prospects**

The Group remains cautious on the impact of continuous COVID-19 outbreak around the world and its resurgence in Malaysia to the economic activities and the challenges faced by the oil and gas industries during current low oil prices.

While various economic sectors are gradually resumed both domestically and internationally, the Group believes a slower economic recovery is expected. Despite the short term challenges, the Group believes the long term business outlook continues to be cautiously positive.

The Group will prudently continue to focus 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 current 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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## INTERIM FINANCIAL REPORT

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (CONTINUED)**

**B5 Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31-Aug-20 RM'000	Preceding Year Corresponding Quarter 31-Aug-19 RM'000	Current Year To Date 31-Aug-20 RM'000	Preceding Year Corresponding Period 31-Aug-19 RM'000
Current taxation	3,039	1,998	4,238	5,328
(Over) / under provision in prior ear	0	35	0	35
Transferred from/(to) deferred tax assets	(171)	101	(378)	(103)
Crystallization of deferred taxation upon depreciation of revalued assets	(67)	(15)	(134)	(30)
	<b>2,801</b>	2,119	<b>3,726</b>	5,230

Tax expense for the current quarter and financial year-to-date ended 31 August 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 higher than the statutory rate, mainly due to certain expenses that are not deductible for tax purposes.

**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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## INTERIM FINANCIAL REPORT

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (CONTINUED)**

**B7 Group Borrowings and Lease Liabilities**

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

<b><u>Borrowings</u></b>	<b>Current RM'000</b>	<b>Non-current RM'000</b>
<b><u>Unsecured: -</u></b>		
- Term loans	14,889	45,733
- Bankers' acceptances, trust receipts and other short term loan	92,025	-
- Foreign currency loan	17,512	-
	<u>124,426</u>	<u>45,733</u>

Foreign currency borrowings included above:

	<b>Foreign Currency '000</b>	<b>RM Equivalent '000</b>
US Dollar	3,647	15,283
GBP Pound	402	2,229

<b><u>Lease Liabilities</u></b>	<b>Current RM'000</b>	<b>Non-current RM'000</b>
Lease Liabilities	<u>2,773</u>	<u>10,450</u>

Foreign currency lease liability included above:

	<b>Foreign Currency '000</b>	<b>RM Equivalent '000</b>
SGD Dollar	<u>7</u>	<u>22</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.



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## INTERIM FINANCIAL REPORT

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (CONTINUED)**

**B9 Dividends**

The Board of Directors has approved and declared a second interim single tier dividend of 0.50 sen per ordinary share in respect of the financial year ending 28 February 2021 (Preceding year corresponding quarter: 0.50 sen). The second interim dividend will be paid on 15 January 2021 to shareholders whose name appear on the Company's Record of Depositors on 31 December 2020.

The total dividend per share for the current financial year is 0.80 sen single dividend per ordinary share (Preceding year corresponding period: 1.0 sen).

**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
	31-Aug-20 RM'000	31-Aug-19 RM'000	31-Aug-20 RM'000	31-Aug-19 RM'000
Net profit attributable to owners of the Company	10,721	7,180	5,170	18,357
Weighted average number of ordinary share in issue ('000)	744,113	749,256	744,113	749,256
<b>Basic earnings per ordinary share (sen)</b>	<b>1.44</b>	<b>0.96</b>	<b>0.69</b>	<b>2.45</b>

**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. Diluted earnings per share is the same as basic earnings per share for the current period as there is no potential dilutive effect of ordinary shares that would be issued upon exercise of warrants and ESOS.



## INTERIM FINANCIAL REPORT

**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (CONTINUED)**

**B10 Earnings per Share (continued)**

**b) Diluted Earnings per Share (continued)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31-Aug-20 RM'000	31-Aug-19 RM'000	31-Aug-20 RM'000	31-Aug-19 RM'000
<b>Net profit attributable to owners of the Company:</b>	<b>10,721</b>	7,180	<b>5,170</b>	18,357
<b>Adjusted weighted average number of shares ('000):</b>				
Weighted average number of ordinary share in issue ('000)	<b>744,113</b>	749,256	<b>744,113</b>	749,256
Adjustment for dilutive effect on exercise of Warrants ('000)	-	854	-	854
Adjustment for dilutive effect on exercise of ESOS options ('000)	-	6,339	-	6,339
	<b>744,113</b>	756,449	<b>744,113</b>	756,449
<b>Diluted earnings per ordinary share (sen)</b>	<b>1.44</b>	0.95	<b>0.69</b>	2.43

**B11 Share Buy Back**

As at end of current quarter, a total of 848,193 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 RM0.39 per share.



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## INTERIM FINANCIAL REPORT

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (CONTINUED)**

**B12 Derivative Financial Instruments**

	As at 31-Aug-20	
	Contract/ Notional amount RM'000	Fair value Assets RM'000
Hedging derivatives: -		
Cash flow hedges		
- Cross Currency Swap	534	26
		<b>RM'000</b>
<u>Analysed as: -</u>		
Within 1 year		26
More than 1 year but less than 5 years		-
		<u>26</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 29 February 2020:

- (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 RM69,000 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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## INTERIM FINANCIAL REPORT

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (CONTINUED)**

**B13 Notes to the Condensed Consolidated Statement of Comprehensive Income**

	<b>Quarter Ended 31-Aug-20 RM'000</b>	<b>Financial Year Ended 31-Aug-20 RM'000</b>
Interest income	222	549
Other income including investment income	164	345
Interest expense	(1,721)	(3,577)
Depreciation and amortization	(4,929)	(9,635)
Allowance for impairment and write off of receivables	(1,064)	(1,984)
Allowance for slow moving and write off of inventories	482	239
Gain/(loss) on disposal of quoted or unquoted investment or properties	-	-
Gain/(loss) on disposal of property, plant and equipment	13	13
Impairment of assets	-	-
Realised foreign exchange gain/(loss)	(1,411)	(397)
Unrealised foreign exchange gain/(loss)	(817)	(366)
Gain/(loss) on derivatives	4	4
Exceptional items	-	-

**Date: 20 October 2020**