

Magni-Tech Industries Berhad

(Incorporated in Malaysia ; Company No. 422585-V)

UNAUDITED INTERIM FINANCIAL REPORT FOR 3RD QUARTER AND 9 MONTHS ENDED 31 JANUARY 2018

Condensed Consolidated Income Statement for 3rd Quarter and 9 months ended 31 January 2018

	Q3-FYR 2018	Q3-FYR 2017	Financial period (9 Months YTD)	
	RM'000	RM'000	to 31-1-2018	to 31-1-2017
			RM'000	RM'000
Revenue	313,303	289,123	859,334	840,307
Operating Expenses	(269,021)	(254,074)	(764,665)	(744,285)
Other Operating (expenses)/Income	(2,148)	7,091	(3,963)	11,412
Profit from Operations	42,134	42,140	90,706	107,434
Investment Related Income	1,483	1,034	5,997	4,574
Finance Costs	(156)	(173)	(487)	(468)
Costs on closure of a subsidiary's packaging business	-	(2,877)	-	(2,877)
Profit before Tax	43,461	40,124	96,216	108,663
Tax Expense	(12,319)	(10,580)	(24,987)	(27,068)
Profit for the period	31,142	29,544	71,229	81,595
Profit attributable to:				
Owners of the Company	31,143	29,554	71,230	81,604
Non-controlling interests	(1)	(10)	(1)	(9)
	31,142	29,544	71,229	81,595
Basic / Diluted earnings per share (Sen)	19.14	18.16	43.77	50.15
Declared Interim Dividend per share (Sen)	7.00	6.00	15.00	16.00

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2017 and the accompanying explanatory notes attached to the interim financial statements.

Magni-Tech Industries Berhad

(Incorporated in Malaysia ; Company No. 422585-V)

Condensed Consolidated Statement of Comprehensive Income for 3rd Quarter and 9 months ended 31 January 2018

	Q3-FYR 2018	Q3-FYR 2017	Financial period (9 Months YTD)	
	RM'000	RM'000	to 31-1-2018	to 31-1-2017
			RM'000	RM'000
Net Profit for the period	31,142	29,544	71,229	81,595
Other Comprehensive items				
Net fair value (loss) / gain on available-for-sale financial assets	(29)	(60)	(102)	46
Total Comprehensive Income for the period	31,113	29,484	71,127	81,641
Total Comprehensive Income attributable to :				
Owners of the Company	31,114	29,494	71,128	81,650
Non-controlling interests	(1)	(10)	(1)	(9)
	31,113	29,484	71,127	81,641

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2017 and the accompanying explanatory notes attached to the interim financial statements.

Magni-Tech Industries Berhad

(Incorporated in Malaysia ; Company No. 422585-V)

Condensed Consolidated Statement of Financial Position as at 31 January 2018

	@ 31-1-2018	Audited @ 30-04-2017
	RM'000	RM'000
ASSETS		
Non-current Assets		
Property, Plant and Equipment	62,540	56,633
Investment Properties	93	98
Investment Securities - Quoted Shares	760	945
Investment Securities - Unquoted Shares	17,820	17,820
Investment Securities - Money Market Unit Trusts	104,988	77,750
	<u>186,201</u>	<u>153,246</u>
Current Assets		
Inventories	143,912	145,892
Receivables	137,737	131,880
Current Tax Assets	466	189
Deposits with Licensed Banks	64,908	49,202
Cash and Bank Balances	3,066	3,882
	<u>350,089</u>	<u>331,045</u>
Non-Current Assets held for sale	85	85
	<u>350,174</u>	<u>331,130</u>
TOTAL ASSETS	<u><u>536,375</u></u>	<u><u>484,376</u></u>
EQUITY AND LIABILITIES		
Equity attributable to Owners of the Company		
Share Capital	162,732	162,732
Reserves	292,970	246,252
	<u>455,702</u>	<u>408,984</u>
Non-controlling Interests	26	27
Total Equity	<u>455,728</u>	<u>409,011</u>
Non-current Liability		
Deferred Tax Liabilities	5,325	5,336
Current Liabilities		
Payables	69,861	62,054
Current Tax Liabilities	5,461	7,975
	<u>75,322</u>	<u>70,029</u>
Total Liabilities	<u>80,647</u>	<u>75,365</u>
TOTAL EQUITY AND LIABILITIES	<u><u>536,375</u></u>	<u><u>484,376</u></u>
Number of ordinary shares ('000)	162,732	162,732
Net Assets per share (RM)	2.80	2.51

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2017 and the accompanying explanatory notes attached to the interim financial statements.

Magni-Tech Industries Berhad

(Incorporated in Malaysia ; Company No. 422585-V)

Condensed Consolidated Statement of Changes in Equity for 9 months ended 31 January 2018

	- - - - Attributable to Owners of the Company - - - -						
	Share Capital	Non distributable AFS (^) Reserves	Distributable Retained Profits	Total Reserves	Total	Non controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>For the financial period ended 31 January 2018</u>							
Balance as at 1 May 2017	162,732	186	246,066	246,252	408,984	27	409,011
Total Comprehensive Income for the financial period	-	(102)	71,230	71,128	71,128	(1)	71,127
<u>Transaction with Owners</u>	162,732	84	317,296	317,380	480,112	26	480,138
Dividends in respect of year ended 30 April 2017	-	-	(11,391)	(11,391)	(11,391)	-	(11,391)
Dividends in respect of year ending 30 April 2018	-	-	(13,019)	(13,019)	(13,019)	-	(13,019)
Balance as at 31 January 2018	<u>162,732</u>	<u>84</u>	<u>292,886</u>	<u>292,970</u>	<u>455,702</u>	<u>26</u>	<u>455,728</u>

(^) Available-for-sale

For the financial period ended 31 January 2017

Balance as at 1 May 2016	162,732	77	160,142	160,219	322,951	33	322,984
Total Comprehensive Income for the financial period	-	46	81,604	81,650	81,650	(9)	81,641
<u>Transaction with Owners</u>	162,732	123	241,746	241,869	404,601	24	404,625
Dividends in respect of year ended 30 April 2016	-	-	(8,136)	(8,136)	(8,136)	-	(8,136)
Dividends in respect of year ended 30 April 2017	-	-	(16,274)	(16,274)	(16,274)	-	(16,274)
Balance as at 31 January 2017	<u>162,732</u>	<u>123</u>	<u>217,336</u>	<u>217,459</u>	<u>380,191</u>	<u>24</u>	<u>380,215</u>

Magni-Tech Industries Berhad

(Incorporated in Malaysia ; Company No. 422585-V)

Condensed Consolidated Statement of Cash Flows for 9 months ended 31 January 2018

	Financial Period (9 months YTD)	
	to 31-1-2018 RM'000	to 31-1-2017 RM'000
<u>Cash flows from operating activities</u>		
Profit before tax	96,216	108,663
Adjustments for :		
Depreciation	4,242	4,333
Dividend income	(4,716)	(3,327)
Gain on disposal of investment securities	-	(109)
Gain on disposal of property, plant and equipment	(76)	(122)
Interest income	(1,281)	(1,138)
Property, plant and equipment written off	350	25
Costs on closure of a subsidiary's packaging business	-	2,877
	<u>94,735</u>	<u>111,202</u>
Operating profit before working capital changes	94,735	111,202
Decrease/(Increase) inventories	1,980	(8,719)
Increase in receivables	(5,857)	(14,738)
Increase in payables	7,807	7,016
	<u>98,665</u>	<u>94,761</u>
Cash generated from operations	98,665	94,761
Net Income tax paid	(27,787)	(19,382)
	<u>70,878</u>	<u>75,379</u>
<u>Cash flows from investing activities</u>		
Net dividend received	4,716	3,327
Interest received	1,281	1,138
Proceeds from disposal of property, plant and equipment	127	122
Proceeds from disposal of investment securities	-	18,086
Purchase of property, plant and equipment	(10,546)	(4,502)
Purchase of investment securities	(27,156)	(54,615)
	<u>(31,578)</u>	<u>(36,444)</u>
<u>Cash flows from financing activities</u>		
Dividends paid	(24,410)	(24,410)
	<u>14,890</u>	<u>14,525</u>
Net increase in cash and cash equivalents	14,890	14,525
Cash and cash equivalents at beginning	53,084	64,113
	<u>67,974</u>	<u>78,638</u>
Cash and cash equivalents at end	<u>67,974</u>	<u>78,638</u>
Cash & Cash Equivalents comprise the following :-		
Cash and bank balances	3,066	4,950
Deposits with licensed banks	64,908	73,688
	<u>67,974</u>	<u>78,638</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 30 April 2017 and the accompanying explanatory notes attached to the interim financial statements.

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Notes to the Financial Report

3rd Quarter and 9 Months ended 31 January 2018

1) Basis of Preparation

Adoption of new MFRS, Amendments/Improvements to MFRS and IC Interpretation

The condensed consolidated interim financial report is unaudited and has been prepared in accordance with Malaysian Accounting Standards Board ("MFRS") 134 - Interim Financial Reporting Standards in Malaysia and International Accounting Standards ("IAS") 34 - Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 April 2017. 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 30 April 2017.

The Group has not early adopted the standards and interpretations that have been issued but not yet effective for the financial period beginning 1 May 2017.

The application of the new/revised standards and interpretations is not expected to have any significant impact on the financial statements upon their initial adoption.

2) Audit Report of Preceding Annual Financial Statements

The auditors' report of the Company's most recent annual financial statements for the financial year ended 30 April 2017 was not subject to any qualification.

3) Seasonal or Cyclical Factors

The operations of the Group were not materially affected by seasonal or cyclical factors.

4) Unusual Items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the 9 months year-to-date to 31 January 2018 ("financial period" or "this YTD").

5) Material Changes in Estimates

There were no material changes in the estimates of amounts reported in the current quarter ended 31 January 2018 ("Q3-FYR 2018")

6) Change in Composition of the Group

There were no changes in the composition of the Group during the financial period.

7) Debts and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period.

8) Dividend Paid

Dividends paid during the financial period are as follows:

- (i) The single tier final dividend of 3 Sen and special single tier dividend of 4 Sen per share in respect of the financial year ended 30 April 2017 amounting to RM11.391 million paid on 27 October 2017.
- (ii) The single tier interim dividend of 3.5 Sen per share amounting to RM5.696 million in respect of the financial year ending 30 April 2018 paid on 27 October 2017.
- (iii) The 2nd single tier interim dividend of 4.5 Sen per share amounting to RM7.323 million in respect of the financial year ending 30 April 2018 paid on 12 January 2018.

9) Revaluation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the financial period.

10) Subsequent Events

There were no material subsequent events for the financial period, up to the date of this announcement.

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Notes to the Financial Report

3rd Quarter and 9 Months ended 31 January 2018

11) Segment Information

The segmental analysis of the Group's operations for the financial period is as follows :

<u>Revenue</u>	%	External RM'000	Inter -segment RM'000	9 Months to 31-1-2018 RM'000
Packaging	9.3%	79,644	-	79,644
Garment Manufacturing	90.7%	779,690	-	779,690
Total Revenue	100.0%	859,334	-	859,334
<u>Results</u>				
Packaging				3,093
Garment manufacturing				87,831
				90,924
Unallocated corporate expenses				(218)
Profit from operations				90,706
Investment related Income :				
Dividend income				4,716
Interest income				1,281
				5,997
Finance costs (Non-interest)				(487)
Profit before tax				96,216
Tax expense				(24,987)
Profit for the financial period				71,229

12) Analysis of Performance

The Group is primarily engaged in the manufacturing of garment for export and a wide range of flexible plastic and corrugated packaging products.

The garment segment accounted for about 90.7% and 96.8% of the Group's revenue and profit from operations respectively for the financial period.

The key factors that affect the performance of garment business include mainly the labour costs, other operating costs, foreign exchange differences, demand for the garments and the ability of management to cope with change.

For the packaging segment, the key factors that affect its performance include mainly raw material costs, operating costs, demand for the packaging products and the ability of management to cope with change. Raw materials consist of kraft liner, test liner, medium papers, white papers, polyethylene resins and etc.

Q3-FYR 2018 vs Q3-FYR 2017

Revenue for Q3-FYR 2018 increased by 8.4% as compared to Q3-FYR 2017.

On a segmental basis, garment revenue for Q3-FYR 2018 increased by 10.9% mainly due to higher sale orders received.

Packaging revenue was lower by 12.2% mainly due to the cessation of offset printing packaging (OPP) business in Q4-FYR 2017. Revenue of the continuing packaging operations (ie. flexible plastic and corrugated packaging) grew by 7.1% mainly due to higher orders received.

Profit before tax ("PBT") for Q3-FYR 2018 increased by 8.3% as compared to Q3-FYR 2017. However, PBT for Q3-FYR 2018 increased by 1.1% when compared to Q3-FYR 2017's PBT before accounting for closure costs of OPP business of RM2.877 million.

Garment PBT for Q3-FYR 2018 increased by 2.3% mainly due to higher revenue and investment income but was weighed down by the net foreign exchange loss of RM2.594 million for Q3-FYR 2018 as opposed to the net foreign exchange gain of RM6.683 million for Q3-FYR 2017.

Packaging PBT for the current quarter increased by 35.1% mainly due to the OPP business closure costs of RM2.877 million in Qtr 3-FYR 2017. Packaging PBT of continuing operations dropped by 35.1% mainly due to higher raw material costs and operating expenses incurred despite posting higher revenue.

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Notes to the Financial Report

3rd Quarter and 9 Months ended 31 January 2018

Financial Period (or this YTD) vs last YTD

Revenue for this YTD of 9 months to 31 January 2018 increased by 2.3% as compared to the last YTD. Garment revenue increased by 4.6% mainly due to higher sale orders received.

Packaging revenue decreased by 15.8% mainly due to cessation of offset printing packaging business. However, packaging revenue of the continuing operations increased by 2.5% mainly due to higher order received.

PBT for this YTD decreased by 11.5% as compared to last YTD. However, PBT for this YTD decreased by 13.7% when compared to last YTD's PBT before accounting for closure costs of OPP business of RM2.877 million.

Garment PBT decreased by 12.6% as compared to last YTD mainly due to the net foreign exchange loss of RM4.878 million for the financial period as opposed to the net foreign exchange gain of RM10.540 million for last YTD, which was mitigated by higher investment income by RM1.539 million.

Packaging PBT increased by 40.0% mainly due to the OPP business closure costs of RM2.877 million in last YTD. Had there been no closure costs then, packaging PBT would have been lower by 36.8% versus last YTD mainly to higher raw material costs incurred.

13) Variation of Results against Preceding Quarter (Q3-FYR 2018)

Revenue for Q3-FYR 2018 increased by 24.2% as compared to Q2-FYR 2018. Garment and packaging revenue for Q3-FYR 2018 increased by 25.9% and 8.8% respectively mainly due to higher sale orders received.

PBT for Q3-FYR 2018 surged by 60.6% as compared to Q2-FYR 2018.

Garment PBT improved by 58.7% mainly due to higher revenue but was partially weighed down by higher net loss on foreign exchange by RM1.732 million. Packaging PBT increased by 88.0% mainly due to higher revenue and lower operating expenses incurred.

14) Future Prospects

The manufacturing and sale of garment will still be the Group's major revenue contributor.

For the forthcoming Q4-FYR 2018, we remain cautious in our outlook as the Group's operating environment is expected to be challenging amid volatile market conditions. Nevertheless, both the garment and packaging businesses are expected to remain profitable for Q4-FYR 2018.

15) Tax Expense

The tax expenses for Q3-FYR 2018 and financial period are made up as follows:

	Q3-FYR 2018	9 Months to 31-1-2018
	RM'000	RM'000
Provision for current tax	10,454	23,261
Under-provision of prior year tax due to tax savings from reduced tax rate not yet claimed, as explained below	1,571	1,571
Other under-provision of prior year tax	166	166
Deferred Tax	128	(11)
	<u>12,319</u>	<u>24,987</u>

The Group's effective tax rates for Q3-FYR 2018 and the financial period were higher than the Malaysian statutory tax of 24% due mainly to the under-provision of prior year tax being recognised in current reporting quarter by a subsidiary as a result of the non-claiming of tax savings portion arising from the reduced tax rate. Despite the subsidiary had substantial increase in its chargeable income, the subsidiary has decided not to apply the reduced tax rate as the Inland Revenue Board has not issued any detailed guidelines up to today.

The subsidiary will pursue the claim as soon as the Inland Revenue Board has released the relevant detailed guidelines.

16) Profit Forecast or Profit Guarantee

There was no profit forecast made in any public document.

17) Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this announcement.

18) Group Borrowings and Debts Securities

The Group has no borrowings and debt securities as at the end of the financial period.

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Notes to the Financial Report

3rd Quarter and 9 Months ended 31 January 2018

19) Material Litigation

There were no material litigations during the financial period.

20) Contingent Liabilities

There were no material changes in contingent liabilities since the end of the last annual reporting period.

21) Capital Commitments

As at 31 January 2018, the Group has a capital commitment of approximately RM0.248 million in respect of the acquisition of machinery (end of last annual reporting period : RM4.847 million).

22) Dividend

Dividends for the financial period are as follows:

- (i) the single tier interim dividend 3.5 Sen per share in respect of the financial year ending 30 April 2018 amounting to RM5.696 million was approved by the Board on 14 September 2017 and paid on 27 October 2017 (Q1-FYR 2017 : 5 Sen per share).
- (ii) the 2nd single tier interim dividend of 4.5 Sen per share amounting to RM7.323 million in respect of the financial year ending 30 April 2018 (Q2-FYR 2017 : Interim 3 Sen plus special 2 Sen per share) was approved by the Board on 12 December 2018 and paid on 12 January 2018.
- (iii) the Board has declared a 3rd single tier interim dividend of 3 Sen per share and special dividend of 4 Sen per share totalling RM11.391 million in respect of the financial year ending 30 April 2018 (Q3-FYR 2017 : Interim 3 Sen plus special 3 Sen per share). The entitlement and payment dates will be separately announced today.

Total dividends paid and payable in respect of the financial period are 15 Sen per share amounting RM24.410 million (last YTD : 16 Sen) and representing 34.3% of the Group's attributable profits for the financial period (last YTD : 31.9%).

23) Earnings Per Share (EPS)

The basic EPS has been calculated by dividing the Group's profit attributable to owners of the Company for the period by the weighted average number of ordinary shares in issue during the period :

		Q3-FYR 2018	Q3-FYR 2017	9 Months to 31-1-2018	9 Months to 31-1-2017
Profit attributable to owners of the Company	(RM'000)	31,143	29,554	71,230	81,604
Weighted average no. of ordinary shares in issue	('000)	162,732	162,732	162,732	162,732
Basic EPS	(Sen)	19.14	18.16	43.77	50.15

There is no diluted EPS as the Company does not have any convertible financial instruments as at the end of the financial period.

24) Profit Before Tax

Profit before tax is arrived at after charging/(crediting) the following items :-

	Q3-FYR 2018 RM'000	Q3-FYR 2017 RM'000	Financial period RM'000	Last YTD RM'000
Interest income	(539)	(415)	(1,281)	(1,138)
Dividend income	(944)	(510)	(4,716)	(3,327)
Interest expenses	-	-	-	-
Depreciation and amortisation	1,531	1,479	4,242	4,333
Net unrealised (gain)/loss on foreign exchange	377	1,078	(1,367)	(1,002)
Net realised (gain)/loss on foreign exchange	2,088	(7,910)	5,885	(9,830)
Net (gain)/loss on foreign exchange - all segments	2,465	(6,832)	4,518	(10,832)
Impairment loss on quoted investments	-	-	-	-
Loss on disposal of investment securities	-	(109)	-	(109)
Fair value gain reclassified from equity upon disposal of available-for-sale investments	-	-	-	-
Gain on disposal of property, plant and equipment	(47)	(109)	(76)	(122)
Provision for and write off of receivables	-	-	-	-
Plant and equipment written off	-	-	350	-
(Gain) / loss on derivatives / Exceptional items	-	-	-	-
Costs on closure of a subsidiary's packaging business :	-	2,877	-	2,877

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Notes to the Financial Report

3rd Quarter and 9 Months ended 31 January 2018

25) Realised and Unrealised Profits

The breakdown of retained profits of the Group as at 31 January 2018 into realised and unrealised profits are as follows:

	(Audited)	
	As at 31-1-2018	As at 30-04-2017
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries :		
- realised	318,890	273,460
- unrealised	(3,957)	(5,346)
	<u>314,933</u>	<u>268,114</u>
Less : Consolidated adjustments	(22,047)	(22,048)
	<u><u>292,886</u></u>	<u><u>246,066</u></u>

By Order of the Board

Tan Sri Dato' Seri Tan Kok Ping

Chairman

15 March 2018