

P.I.E. INDUSTRIAL BERHAD (COMPANY NO. : 199701008590 (424086-X))
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31.12.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2018 RM'000	CURRENT YEAR TO DATE 31.12.2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.12.2018 RM'000
Revenue	10	160,626	199,950	659,341	661,257
Cost of sales		(146,421)	(184,414)	(612,758)	(609,421)
Gross profit		14,205	15,536	46,583	51,836
Administrative and distribution expenses		(5,232)	(7,546)	(23,513)	(27,711)
Other operating income		2,108	13,220	15,977	25,913
Income from other investments		2,060	1,810	7,324	5,713
Finance costs		(167)	(197)	(570)	(366)
Profit before tax	10	12,974	22,823	45,801	55,385
Income tax expense	22	(2,006)	(2,000)	(9,244)	(12,243)
Profit for the period	21	10,968	20,823	36,557	43,142
<u>Other comprehensive income</u>					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences in respect of foreign operations		(393)	(201)	2,147	755
Other comprehensive income, net of tax		(393)	(201)	2,147	755
Total comprehensive income for the period		10,575	20,622	38,704	43,897
Total comprehensive income attributable to:					
- Owners of the Company		10,575	20,622	38,704	43,897
Basic earnings per ordinary share (sen)	26	2.86	5.42	9.52	11.23
Diluted earnings per ordinary share (sen)	26	N/A	N/A	N/A	N/A

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD (COMPANY NO. : 199701008590 (424086-X))
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	UNAUDITED AS AT 31.12.2019 RM'000	AUDITED AS AT 31.12.2018 RM'000
Note	-----	-----
ASSETS		
Non-current assets		
Property, plant and equipment	84,383	92,342
Investment properties	28,228	27,543
Prepaid lease payments	9,798	10,114
Goodwill on consolidation	1,722	1,722
Deferred tax assets	662	828
	<u>124,793</u>	<u>132,549</u>
Current assets		
Inventories	106,481	146,546
Trade and other receivables	130,003	173,594
Other financial assets	10,533	4,476
Current tax assets	347	1,167
Short-term deposits with licensed banks	142,289	92,123
Cash and bank balances	25,097	42,470
Total current assets	<u>414,750</u>	<u>460,376</u>
TOTAL ASSETS	<u>539,543</u>	<u>592,925</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	83,203	83,203
Reserves	14,760	12,613
Retained earnings	351,240	333,885
Total equity	<u>449,203</u>	<u>429,701</u>
Non-current liabilities		
Deferred tax liabilities	4,437	6,661
Current liabilities		
Short-term borrowings	-	36,209
Trade and other payables	83,810	118,038
Current tax liabilities	2,093	2,316
Total current liabilities	<u>85,903</u>	<u>156,563</u>
Total liabilities	<u>90,340</u>	<u>163,224</u>
TOTAL EQUITY AND LIABILITIES	<u>539,543</u>	<u>592,925</u>
NET ASSETS	449,203	429,701
Net Assets Per Share Attributable to Ordinary Equity Holders of the Parent (RM)	1.17	1.12

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD (COMPANY NO. : 199701008590 (424086-X))
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019

	Share Capital	Non-distributable Foreign Currency Translation Reserve	Distributable Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000
<u>Period ended 31 December 2018</u>				
Balance as of 1 January 2018	83,203	11,858	306,970	402,031
Adjustment on initial application of MFRS 9	-	-	6,816	6,816
Balance as of 1 January 2018, restated	<u>83,203</u>	<u>11,858</u>	<u>313,786</u>	<u>408,847</u>
Net profit for the period	-	-	43,142	43,142
Other comprehensive income for the period	-	755	-	755
Total comprehensive income for the period	-	755	43,142	43,897
Payment of dividends	-	-	(23,043)	(23,043)
Balance as of 31 December 2018	<u>83,203</u>	<u>12,613</u>	<u>333,885</u>	<u>429,701</u>
<u>Period ended 31 December 2019</u>				
Balance as of 1 January 2019	83,203	12,613	333,885	429,701
Net profit for the period	-	-	36,557	36,557
Other comprehensive income for the period	-	2,147	-	2,147
Total comprehensive income for the period	-	2,147	36,557	38,704
Payment of dividends	-	-	(19,202)	(19,202)
Balance as of 31 December 2019	<u>83,203</u>	<u>14,760</u>	<u>351,240</u>	<u>449,203</u>

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD (COMPANY NO. : 199701008590 (424086-X))
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019

	12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	36,557	43,142
Adjustments for:		
Income tax expense	9,244	12,243
Non-cash items	19,002	8,932
Non-operating items	1,723	(3,509)
Operating profit before working capital changes	66,526	60,808
Changes in working capital:		
Net change in current assets	90,806	(1,898)
Net change in current liabilities	(33,584)	9,912
Cash generated from operations	123,748	68,822
Tax refunded	1,352	1,202
Income tax paid	(11,843)	(12,802)
Interest received	2,656	2,199
Net cash generated from operating activities	115,913	59,421
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	626	854
Payment for property, plant and equipment	(8,105)	(22,740)
Proceeds from disposal of income funds	8,316	7,500
Purchase of investment in income funds	(14,093)	(2,300)
Net cash used in investing activities	(13,256)	(16,686)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(19,202)	(23,043)
Net proceeds from bank borrowings	33,395	96,709
Net repayment of bank borrowings	(69,163)	(60,410)
Interest paid	(570)	(366)
Bank balances held as security	(7)	(2)
Net cash (used in)/generated from in financing activities	(55,547)	12,888
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,110	55,623
Effect of foreign exchange rate differences	(622)	882
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	120,794	77,991
CASH AND CASH EQUIVALENTS AT END OF PERIOD	167,282	134,496

P.I.E. INDUSTRIAL BERHAD (COMPANY NO. : 199701008590 (424086-X))
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019

	12 months ended	
	31.12.2019	31.12.2018
	RM'000	RM'000
REPRESENTED BY:-		
Short-term deposits with licensed banks	142,289	92,123
Cash and bank balances	25,097	42,470
Less : Bank balance pledged as security	(104)	(97)
	<u>167,282</u>	<u>134,496</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 199701008590 (424086-X))
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING

1 Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Chapter 9, Continuing Disclosure, Paragraph 9.22 of the Main Market Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and in compliance with Malaysian Financial Reporting Standards (“MFRSs”) 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board (MASB), and should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2018, which have been prepared in accordance with MFRS, International Financial Reporting Standards and the requirements of the Companies Act 2016, in Malaysia.

The explanatory notes attached to these interim financial report 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 year ended 31 December 2018.

2 Significant Accounting Policies

The significant accounting policies, methods of computation and basis of consolidation adopted by the Group for the preparation of the interim financial report are consistent with those adopted in the annual audited financial statements for the year ended 31 December 2018.

The Group also applied the following standards, IC Interpretations and amendment to standard that have been issued by the Malaysian Accounting Standards Board (“MASB”) effective from 1 January 2019:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16 Leases

Amendments to MFRS 9 Financial Instrument : Prepayment Features with Negative Compensation

Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128 Investments in Associates and Joint Ventures : Long-term Interests in Associates and Joint Ventures

IC Interpretation 23 Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle

Initial application of the above standards did not expected to have any material impacts to the financial statements of the Group and of the Company upon adoption.

The Group and the Company have not applied the following standards that have been issued by the MASB but are not yet effective for the Group and for the Company:

Effective for annual periods beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 3 Business Combinations: Definition of a Business

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors : Definition of Material

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 199701008590 (424086-X))
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019

2 Significant Accounting Policies (Continued)

Effective date yet to be confirmed

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The existing *MFRS 4* and *Amendments to MFRS 4* will be withdrawn upon the adoption of the new *MFRS 17* which will take effect on or after 1 January 2021.

3 Seasonal or Cyclical Factors

The cyclical nature of the manufacturing sector is generally correlated to the global economy and is normally seasonal with demand peaking at the year-end festive seasons.

4 Unusual Items Due To Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date because of their nature, size or incidence.

5 Changes in Estimates

There were no material changes in estimates of amount reported in either the prior interim period of the current financial period or prior financial years that have a material effect on the results during the current quarter and financial period-to-date.

6 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 31 December 2019.

As of 31 December 2019, total issued and fully paid-up share capital are 384,041,985 ordinary shares.

7 Dividends Paid

	12 months ended	
	<u>31.12.2019</u>	<u>31.12.2018</u>
	RM'000	RM'000
Dividends declared and paid:		
a) Special dividend:		
- 2.6 sen per ordinary share, single tier, for 2018	9,985	-
- 3.6 sen per ordinary share, single tier, for 2017	-	13,826
b) First and final dividend:		
- 2.4 sen per ordinary share, single tier, for 2018	9,217	-
- 2.4 sen per ordinary share, single tier, for 2017	-	9,217
	<u>19,202</u>	<u>23,043</u>

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 199701008590 (424086-X))
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019

8 Revaluation of Property, Plant and Equipment

The valuation of property, plant and equipment has been brought forward without amendment from the previous annual audited financial statements for the financial period ended 31 December 2019.

9 Material Post Balance Sheet Events

There are no material events subsequent to the end of the current quarter that requires adjustment to, or disclosure in the unaudited interim financial report for the financial period ended 31 December 2019.

10 Operating Segment

Segment information is presented in respect of the Group's business segments.

The Group comprises the following main business segments:

- a) Manufacturing Manufacturing of industrial products
- b) Trading Trading of electrical products
- c) Others Investment holdings

Segments	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
<u>Period ended 31 December 2019</u>					
Revenue	654,484	4,686	171	-	659,341
Inter-segment revenue	180	2,050	16,889	(19,119)	-
	<u>654,664</u>	<u>6,736</u>	<u>17,060</u>	<u>(19,119)</u>	<u>659,341</u>
Segment results	26,653	(94)	13,290	(12,976)	26,873
Investment revenue					7,324
Other gains and losses					12,174
Finance costs					(570)
Profit before tax					<u>45,801</u>
Segments	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
<u>Period ended 31 December 2018</u>					
Revenue	642,781	18,287	189	-	661,257
Inter-segment revenue	99	2,089	21,521	(23,709)	-
	<u>642,880</u>	<u>20,376</u>	<u>21,710</u>	<u>(23,709)</u>	<u>661,257</u>
Segment results	32,713	276	17,076	(18,024)	32,041
Investment revenue					5,713
Other gains and losses					17,997
Finance costs					(366)
Profit before tax					<u>55,385</u>

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 199701008590 (424086-X))
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019

11 Changes in the Composition of the Group

There was no change in the composition of the Group for the current quarter and financial period-to-date including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

12 Capital Commitment

	12 months ended	
	31.12.2019	31.12.2018
	<u>RM'000</u>	<u>RM'000</u>
Contracted but not provided for:		
- Property, plant & equipment	<u>2,938</u>	<u>-</u>

13 Fair Value of Instruments

(a) Determination of fair value

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments, by class, which are not carried at fair value in the financial statements.

	31.12.2019		31.12.2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Financial assets :				
Trade and other receivables (excluding prepayments)	129,012	129,012	171,104	171,104
Financial assets carried at fair value through profit or loss	10,533	10,533	4,476	4,476
Cash and cash equivalents	<u>167,386</u>	<u>167,386</u>	<u>134,593</u>	<u>134,593</u>
	<u>306,931</u>	<u>306,931</u>	<u>310,173</u>	<u>310,173</u>
Financial liabilities :				
Trade and other payables	83,810	83,810	118,038	118,038
Short term borrowings	-	-	36,209	36,209
	<u>83,810</u>	<u>83,810</u>	<u>154,247</u>	<u>154,247</u>

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 199701008590 (424086-X))
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019

13 Fair Value of Instruments (Continued)

(b) Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the reporting date, the Group held the following financial assets and liabilities that were measured at fair value by level of fair value hierarchy :

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>31 December 2019</u>				
Financial assets				
Investment in income fund	10,533	-	-	10,533
	<u>10,533</u>	<u>-</u>	<u>-</u>	<u>10,533</u>
<u>31 December 2018</u>				
Financial assets				
Investment in income fund	4,476	-	-	4,476
	<u>4,476</u>	<u>-</u>	<u>-</u>	<u>4,476</u>

There have been no transfers between any levels during the current quarter under review and the comparative period.

14 Contingent Liabilities

Save as disclosed below, there were no obligations and contingent liabilities for the Group as of 31 December 2019.

	RM '000
a) Letter of guarantee by a bank for a foreign subsidiary's import duties	124
b) Corporate guarantees given by the Company to banks for credit facilities granted to certain subsidiary companies	<u>132,470</u>
	<u>132,594</u>

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 199701008590 (424086-X))
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

15 Review of Group Performance

Financial review for current quarter and financial period to date

	Individual Period (4th quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter Ended	Preceding Year Corresponding Quarter ended			Current Year Quarter Ended	Preceding Year Corresponding Quarter ended		
	31.12.2019	31.12.2018	RM'000	RM'000	RM'000	RM'000	Amount	%
Revenue by segments								
- Manufacturing	160,489	194,798	(34,309)	-18%	654,484	642,781	11,703	2%
- Trading	62	5,126	(5,064)	-99%	4,686	18,287	(13,601)	-74%
- Others	75	26	49	188%	171	189	(18)	-10%
Total revenue	160,626	199,950	(39,324)	-20%	659,341	661,257	(1,916)	0%
Revenue by geographical location of the Group's operations								
- Malaysia	155,870	188,140	(32,270)	-17%	633,658	621,376	12,282	2%
- Thailand	4,693	6,684	(1,991)	-30%	20,997	22,574	(1,577)	-7%
- Singapore	63	5,126	(5,063)	-99%	4,686	17,307	(12,621)	-73%
Total revenue	160,626	199,950	(39,324)	-20%	659,341	661,257	(1,916)	0%
Operating profit	12,974	22,823	(9,849)	-43%	45,801	55,385	(9,584)	-17%
Profit before tax by segments								
- Manufacturing	14,351	24,340	(9,989)	-41%	45,746	55,369	(9,623)	-17%
- Trading	(68)	147	(215)	-146%	(1)	443	(444)	-100%
- Others	(1,309)	(1,664)	355	-21%	56	(427)	483	-113%
Total profit before tax	12,974	22,823	(9,849)	-43%	45,801	55,385	(9,584)	-17%
Profit after tax	10,968	20,823	(9,855)	-47%	36,557	43,142	(6,585)	-15%
Total comprehensive income attributable to:								
- Owners of the Company	10,575	20,622	(10,047)	-49%	38,704	43,897	(5,193)	-12%

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 199701008590 (424086-X))
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15 Review of Group Performance (Continued)

(a) Comparison with Previous Year Corresponding Quarter's Results

The Group's revenue for the current quarter under review was RM160.626 million and profit before tax was RM12.974 million.

The revenue decreased by RM39.324 million or 20% as compared to preceding year corresponding quarter. The decrease was mainly attributable to lower demand from existing customers for electronics manufacturing (EMS), raw wire & cable products, wire harness products and trading activities. For comparison of segmental revenue for the respective quarters discussed, please refer to the tables below:

Breakdown of segmental revenue for the quarter ended 31 December 2019:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	130,708	25,088	4,693	160,489	100%
Trading	-	-	-	62	0%
Others	-	-	-	75	0%
Total	130,708	25,088	4,693	160,626	100%

Breakdown of segmental revenue for the quarter ended 31 December 2018:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	160,138	27,976	6,684	194,798	97%
Trading	-	-	-	5,126	3%
Others	-	-	-	26	0%
Total	160,138	27,976	6,684	199,950	100%

P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 199701008590 (424086-X))
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019

15 Review of Group Performance (Continued)

(a) Comparison with Previous Year Corresponding Quarter's Results (Continued)

Compared with the preceding year corresponding quarter, the profit before tax decreased by RM9.849 million or 43%. The decrease was mainly attributable to lower revenue recorded, lower gain from foreign currency translation, lower reversal of provision for slow moving inventories and lower fair value gain adjustment on investment properties in the current quarter as compared to the corresponding quarter. However, the decline noted above were offset against lower administrative and distribution expenses in the current quarter.

For comparison of segmental profit before tax for the respective quarters discussed, please refer to the tables below:

Breakdown of segmental profit before tax for the quarter ended 31 December 2019:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	10,486	3,837	28	14,351	111%
Trading	-	-	-	(68)	-1%
Others	-	-	-	(1,309)	-10%
Total	10,486	3,837	28	12,974	100%

Breakdown of segmental profit before tax for the quarter ended 31 December 2018:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	18,737	4,101	1,502	24,340	106%
Trading	-	-	-	147	1%
Others	-	-	-	(1,664)	-7%
Total	18,737	4,101	1,502	22,823	100%

*P.I.E. INDUSTRIAL BERHAD (COMPANY NO.: 199701008590 (424086-X))
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019*

15 Review of Group Performance (Continued)

(b) Comparison with Previous Year Corresponding Period's Results

For the financial period ended 31 December 2019, the Group recorded revenue of RM659.341 million, a decrease of 0.3% or RM1.916 million as compared to the corresponding period ended 31 December 2018 of RM661.257 million.

The decrease of revenue was mainly attributable to decreased orders received from existing customers from raw wire & cable products, wire harness products and trading segments but partly offset with higher revenue from electronics manufacturing activities (EMS). For comparison of segmental revenue for the respective periods discussed, please refer to the tables below:

Breakdown of segmental revenue for the period ended 31 December 2019:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	526,961	106,526	20,997	654,484	99%
Trading	-	-	-	4,686	1%
Others	-	-	-	171	0%
Total	526,961	106,526	20,997	659,341	100%

Breakdown of segmental revenue for the period ended 31 December 2018:

Revenue by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	499,220	120,987	22,574	642,781	97%
Trading	-	-	-	18,287	3%
Others	-	-	-	189	0%
Total	499,220	120,987	22,574	661,257	100%

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15 Review of Group Performance (Continued)

(b) Comparison with Previous Year Corresponding Period's Results (Continued)

For the financial period ended 31 December 2019, the Group recorded profit before tax of RM45.801 million, a decrease of 17% or RM9.584 million as compared to the corresponding period ended 31 December 2018 of RM55.385 million.

The decrease recorded in our profit before tax was mainly due to decrease in revenue, lower income from scrap sales, lower fair value gain adjustment on investment properties, lower gain from foreign currency translation and lower reversal of provision for slow moving inventories. The decrease was partially offset against lower administrative and distribution expenses, reversal of impairment of trade receivables and higher investment income.

For comparison of segmental profit before tax for the respective periods discussed, please refer to the tables below:

Breakdown of segmental profit before tax for the period ended 31 December 2019:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	30,748	13,769	1,229	45,746	100%
Trading	-	-	-	(1)	0%
Others	-	-	-	56	0%
Total	30,748	13,769	1,229	45,801	100%

Breakdown of segmental profit before tax for the period ended 31 December 2018:

Profit before tax by segments :	EMS (Malaysia)	Raw Wire & Cable (Malaysia)	Wireharness (Thailand)	Total	%
	RM'000	RM'000	RM'000	RM'000	
Manufacturing	33,769	17,011	4,589	55,369	100%
Trading	-	-	-	443	1%
Others	-	-	-	(427)	-1%
Total	33,769	17,011	4,589	55,385	100%

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16 Comparison with Immediate Preceding Quarter's Results

Financial review for current quarter compared with immediate preceding quarter

	Individual Quarter Ended		Changes	
	31.12.2019	30.09.2019	Amount	Variance
	RM '000	RM '000	RM '000	%
Revenue				
Manufacturing segments				
- EMS activities	130,708	132,803	(2,095)	-2%
- Raw cable & wire	25,088	27,969	(2,881)	-10%
- Wire harness	4,693	5,590	(897)	-16%
Trading segment	62	72	(10)	-14%
Other segment	75	48	27	56%
	<u>160,626</u>	<u>166,482</u>	<u>(5,856)</u>	-4%
Operating profit	12,974	22,650	(9,676)	-43%
Profit before tax	12,974	22,650	(9,676)	-43%
Profit after tax	10,968	16,791	(5,823)	-35%
Total comprehensive income attributable to:				
- Owners of the Company	10,575	17,447	(6,872)	-39%

The Group's revenue for the quarter under review has decreased by 4% as compared with the preceding quarter. The decrease was mainly due to lower demand recorded for EMS, raw cable & wire products and wire harness products and trading segments.

The Group's profit before tax for the current quarter has decreased by 43% as compared to preceding quarter. The decrease was mainly due to lower revenue recorded and lower margin of products mix, lower gain from foreign currency translation and lower reversal of provision for slow moving inventories but was offset against lower administrative and distribution expenses, gain on fair value adjustment of investment properties and higher investment income.

17 Review of Group Assets and Liabilities

	As at	As at	Changes	
	31.12.2019	31.12.2018	Amount	Variance
	RM'000	RM'000	RM '000	%
Total assets	539,543	592,925	(53,382)	-9%
Total liabilities	90,340	163,224	(72,884)	-45%
Total equity	449,203	429,701	19,502	5%

Total assets

As at 31 December 2019, the Group's total assets decreased by RM53.382 million to RM539.543 million from RM592.925 million as at 31 December 2018. The decline was mainly due to decrease in trade receivables as a result of collection of overdue trade receivables and the decrease in inventory as a result of implementing an effective inventory management system that reduce inventory holding costs.

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17 Review of Group Assets and Liabilities (Continued)

Total liabilities

As at 31 December 2019, the Group's total liabilities decreased by 45% or RM72.884 million to RM90.340 million from RM163.224 million as at 31 December 2018. The decrease was mainly due to repayment of short term borrowing and trade payables.

Total equity

The Group's total equity as at 31 December 2019 increased by RM19.502 million to RM449.203 million as compared to RM429.701 million as at 31 December 2018. The increase in total equity is due to increased in distributable retained earnings as a net result of net profit of RM36.557 million for the current financial period under review and payment of dividends amounting to RM19.202 million. During the financial period under review, non-distributable reserves also increased by RM2.147 million due to changes in foreign exchange translation reserve.

18 Key Finance Information of Foreign Operations

	Functional Currency USD'000	Reporting Currency RM'000	Functional Currency THB'000	Reporting Currency RM'000
Exchanges rate as at 31.12.2019	USD 1	RM4.0925	THB 1	RM0.1368
Revenue	1,627	6,658	269,700	36,895
Profit before tax	8	33	9,178	1,256
Profit after tax	8	33	8,876	1,214
Total assets	431	1,764	271,908	37,197
Total liabilities	18	74	36,334	4,970

Above information highlight the key financial information of foreign subsidiaries of the Group. The assets and liabilities of foreign operations are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates of the transaction date.

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19 Current Year Prospect

The major source of revenue and profit of the Group is from its manufacturing segment (99%).

For EMS activities (80%), orders are expected to increase in the long run from existing customers and potential new customers through its fully built-up vertical integrated manufacturing facilities which will be further improved in operation for the coming years. Due to the beneficial effect of USA-China trade war, this division is expected to receive more orders from new overseas customers in 2019. This division will cancel certain new low-margin, high-volume products since beginning of 2019 and focus on profitable projects from potential new customers. The serious shortage of certain electronics component in 2018 is expected to be smoothen in coming years. However, any drastic fluctuation of Ringgit Malaysia against USD and recent spreadout of Covid-19 globally will be the main factor affecting its performance in the near future.

Revenue derived from the manufacturing activity of raw wire & cable (16%) will continue to grow, with consistent profit margin in near future. The cost of its two main raw materials i.e copper and PVC are expected to be relatively stable in the near future. The Company is expected to maintain its selling price and secure more orders from its customers in order to maintain the profit margin from this segment.

With the potential benefit of USA-China trade war effect, the revenue from cable assembly & wire harness (3%) activities in Thailand is expected to grow in coming years through its newly set-up small-scale facilities for plastic parts and PCB assembly. The management believes this division will have high potential to explore wider business scale in Thailand market from 2020 onwards.

The trading segment (1%) will continue to promote respective parent companies products for the customers in the ASEAN market. However, the management does not expect significant growth from this segment in the near future due to the lack of attractive electronics products from the parent companies.

20 Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was announced and published.

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21 Profit for the Period

	Quarter Ended		Period Ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging) :				
Interest income	702	695	2,656	2,199
Investment income	1,358	1,115	4,668	3,514
Interest expenses	(167)	(197)	(570)	(366)
Depreciation and amortisation	(3,823)	(4,105)	(16,099)	(15,159)
Net reversal/(addition) of impairment losses				
- trade receivables	570	387	1,106	249
Net (additional)/reversal of inventories written down	(2,737)	685	(4,529)	528
Net (loss)/gain on disposal of :				
- property, plant and equipment	(293)	65	(279)	361
- investment	-	-	50	40
Net foreign exchange gain	2,265	4,559	10,738	11,904
Gain from fair value adjustment of investment properties	520	5,450	520	5,450
Gain/(Loss) from fair value adjustment of financial assets through profit and loss	4	9	40	(8)

Save as disclosed above, the other items as required under Appendix 9B, Part A(16) of the Bursa Securities Main Market Listing Requirements are not applicable.

22 Income Tax Expense

	Quarter Ended		Period Ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Income tax in respect of				
Current period	2,966	1,362	11,493	11,709
Underprovision in prior year	(194)	(3,803)	(194)	(3,839)
Deferred tax income	(766)	4,441	(2,055)	4,373
	<u>2,006</u>	<u>2,000</u>	<u>9,244</u>	<u>12,243</u>

The Group's taxation for the current quarter and financial period-to-date reflects an effective tax rate which is higher than the statutory income tax rate mainly due to certain expenses which are not deductible.

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23 Status of Corporate Proposals Announced

There were no corporate proposals announced but pending completion as at the date of this unaudited interim financial report.

24 Changes in Material Litigation

Save for the litigation described below, the Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Directors do not have any knowledge of any proceedings, pending or threatened, against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group.

In the year 2015, a subsidiary of the Group, Pan-International Electronics (Malaysia) Sdn.Bhd. ("PIESB") received demand letters from Royal Malaysian Customs ("RMC") regarding unpaid import duties and sales tax amounting to RM8,432,283 and RM841,342 respectively.

The RMC had blacklisted all the Directors of PIE from leaving and entering Malaysia. Arising from this, the external legal counsel of PIE had filed a judicial review application in the High Court of Malaya to challenge the condition imposed by RMC. RMC had subsequently withdrawn the blacklisting of all Directors with the condition that PIE remits payment of 20% of the disputed sum and places a bank guarantee with the RMC for the remaining sum. PIE had complied with the instructions of RMC without prejudice.

To date, the RMC had not filed any civil suit against PIESB for the above-said claim. PIESB had filed an appeal with the Ministry of Finance ("MOF"), Malaysia regarding the alleged "unpaid import duties and sales tax" of which its application was rejected by the MOF on 31 October 2017. Subsequent to the rejection, the external legal counsel of PIESB had applied for a judicial review on the decision of the MOF with the High Court at Penang. The High Court Judge dismissed PIESB's application for a judicial review. Following the dismissal by the High Court, PIESB had submitted an appeal application against the decision of High Court Judge to the Court of Appeals of which hearing of the cases were fixed on 18 February 2018, 24 June 2019 and 23 July 2019 ("Appeal Application") respectively.

The Court of Appeal advised the external legal counsel of PIESB's to withdraw the appeal application and gave an opinion that the first filing of Judicial Review was premature since the reply from the Minister of Finance was not obtained in the proceedings. Subsequently, PIESB had resubmitted the appeal letter to Minister of Finance on 7 October 2019 in order to obtain the reply directly from the Minister of Finance for judicial review purpose. However, the external legal counsel of PIESB is still awaiting for the Minister of Finance to reply to its fresh letter of appeal and believes that the chances of PIESB's judicial review on the decision of the Ministry of Finance is reasonably good.

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25 Dividends

The following Dividends for the year ended 31 December 2018, had been approved by the Company's shareholders at the Twenty Second Annual General Meeting on 24 May 2019 and had been paid on 19 June 2019 to depositors registered in the Record of Depositors on 31 May 2019:

- (a) A Special Single Tier Dividend of 2.6 sen per share; and
- (b) A First and Final Single Tier Dividend of 2.4 sen per share.

26 Earnings Per Ordinary Share

(a) Basic earnings per ordinary share

Basic earnings per ordinary share amounts are calculated by dividing profit attributable to the ordinary equity shareholders by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	Quarter Ended		Period Ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Profit attributable to ordinary equity shareholders (RM'000)	10,968	20,823	36,557	43,142
Weighted average number of ordinary share in issue (units'000)	384,042	384,042	384,042	384,042
Basic earnings per ordinary share (sen)	<u>2.86</u>	<u>5.42</u>	<u>9.52</u>	<u>11.23</u>

(b) Diluted earnings per ordinary share

There are no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the current quarter and financial period-to-date.

27 Derivative Financial Instruments

There were no material outstanding derivatives entered into by the Group as at the end of the quarter under review.

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28 Gains/Losses Arising from Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes of financial liabilities.

29 Auditors' Report on Preceding Annual Financial Statements

The auditors' report of the Group's most recent annual audited financial statements did not contain any qualification.