

DOMINANT ENTERPRISE BERHAD

(Company No.221206-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2019

	<u>FYE2020</u>	<u>FYE2019</u>	<u>FYE2020</u>	<u>FYE2019</u>
	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended 30.09.2019	Preceding Year Corresponding Quarter Ended 30.09.2018	Current Year To Date Ended 30.09.2019	Preceding Year Ended 30.09.2018
	RM'000	RM'000	RM'000	RM'000
Revenue	177,133	193,447	340,573	366,435
Profit from Operations	8,027	11,540	16,769	23,721
Interest Income	375	359	750	712
Interest Expense	(2,232)	(2,431)	(5,188)	(5,503)
Depreciation and Amortisation	(1,505)	(807)	(3,054)	(1,592)
Profit Before Tax	4,665	8,661	9,277	17,338
Income Tax Expense	(1,225)	(1,921)	(2,392)	(3,842)
Profit After Tax	3,440	6,740	6,885	13,496
Other Comprehensive Income				
Exchange differences on translating foreign operations	(260)	735	385	897
Fair value changes on available-for-sale financial assets	-	43	-	76
Total Comprehensive Income	3,180	7,518	7,270	14,469
Profit attributable to :				
Equity holders of the Company	3,440	6,740	6,885	13,496
Total comprehensive income attributable to :				
Equity holders of the Company	3,180	7,518	7,270	14,469
Earning Per Share				
- Basic (sen)	2.08	4.08	4.17	8.17
- Diluted (sen)	2.08	4.08	4.17	8.17

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the financial year ended 31st March 2019 and the accompanying explanatory notes to the interim financial reports.

DOMINANT ENTERPRISE BERHAD
(Company No.221206-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) As At 30 September 2019 RM'000	(Audited) As At 31 March 2019 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, plant and equipment	128,857	126,109
Investment properties	722	722
Inventories	13,447	13,447
Prepaid lease payments for land	5,283	5,351
Right-of-use assets	6,498	-
Goodwill	837	837
	<u>155,644</u>	<u>146,466</u>
<u>Current Assets</u>		
Inventories	138,924	150,488
Trade receivables	165,810	164,607
Other receivables and prepaid expenses	5,682	8,669
Current tax assets	1,340	254
Short term investments	46,037	45,250
Cash and bank balances	7,147	10,286
	<u>364,940</u>	<u>379,554</u>
TOTAL ASSETS	<u>520,584</u>	<u>526,020</u>
EQUITY AND LIABILITIES		
<u>Equity Attributable To Owners Of The Company</u>		
Share capital	83,097	83,097
Other reserves	35,427	35,042
Retained earnings	162,372	158,119
Total Equity	<u>280,896</u>	<u>276,258</u>
<u>Non-Current Liabilities</u>		
Borrowings	3,861	2,913
Lease liabilities	4,963	-
Deferred tax liabilities	7,834	7,834
	<u>16,658</u>	<u>10,747</u>
<u>Current Liabilities</u>		
Trade payables	32,999	29,108
Other payables and accrued expenses	6,698	9,528
Borrowings	180,321	198,274
Lease liabilities	1,727	-
Current tax liabilities	1,285	2,105
	<u>223,030</u>	<u>239,015</u>
Total Liabilities	<u>239,688</u>	<u>249,762</u>
TOTAL EQUITY AND LIABILITIES	<u>520,584</u>	<u>526,020</u>
Net assets per share (RM)	1.69	1.66

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31st March 2019 and the accompanying explanatory notes to the interim financial reports.

DOMINANT ENTERPRISE BERHAD

(Company No.221206-D)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital RM'000	Other Reserves RM'000	Retained Earnings RM'000	Total Equity RM'000
Balance as at 1 April 2018	83,097	33,506	143,544	260,147
Total comprehensive income for the year	-	973	13,496	14,469
Dividend	-	-	(2,479)	(2,479)
Balance as at 30 September 2018	<u>83,097</u>	<u>34,479</u>	<u>154,561</u>	<u>272,137</u>
Balance as at 1 April 2019, as previously reported	83,097	35,042	158,119	276,258
Effect of adoption of MFRS 16	<u>-</u>	<u>-</u>	<u>(153)</u>	<u>(153)</u>
Balance as at 1 April 2019, as restated	83,097	35,042	157,966	276,105
Total comprehensive income for the year	-	385	6,885	7,270
Dividend	-	-	(2,479)	(2,479)
Balance as at 30 September 2019	<u>83,097</u>	<u>35,427</u>	<u>162,372</u>	<u>280,896</u>

The Condensed Consolidated Statements of Changes In Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31st March 2019 and the accompanying explanatory notes to the interim financial reports.

DOMINANT ENTERPRISE BERHAD
(Company No.221206-D)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

	Financial Period Ended 30.09.2019 RM'000	Financial Period Ended 30.09.2018 RM'000
Profit for the period	6,885	13,496
Adjustments for : -		
Non-cash items	2,581	2,193
Non-operating items	4,438	4,791
Taxation	2,392	3,842
<i>Operating profit before changes in working capital</i>	<u>16,296</u>	<u>24,322</u>
Changes in working capital		
Net change in current assets	14,721	(32,651)
Net change in current liabilities	971	128
<i>Cash from / (used in) operations</i>	31,988	(8,201)
Interest paid	(148)	(161)
Income tax paid	(4,312)	(2,997)
Net cash from / (used in) operating activities	<u>27,528</u>	<u>(11,359)</u>
<i>Cash flows from / (used in) investing activities</i>		
Interest received	750	712
Proceeds from disposal of property, plant and equipment	78	-
Purchase of property, plant and equipment	(4,286)	(1,999)
Placement of short term investments	(719)	(702)
Net cash used in investing activities	<u>(4,177)</u>	<u>(1,989)</u>
<i>Cash flows from / (used in) financing activities</i>		
Net (repayment)/ drawdown of borrowings	(18,686)	18,817
Dividends paid	(2,479)	(2,479)
Interest paid	(5,028)	(5,342)
Repayments of hire-purchase payables	(79)	(74)
Repayments of lease liabilities	(1,249)	-
Proceeds from / (Repayments of) term loans	1,951	(1,819)
Net cash (used in) / from financing activities	<u>(25,570)</u>	<u>9,103</u>
Net Changes in Cash & Cash Equivalents	<u>(2,219)</u>	<u>(4,245)</u>
Adjustment for foreign exchange differentials	(36)	92
Cash & Cash Equivalents at beginning of financial period	6,937	4,409
Cash & Cash Equivalents at end of financial period	<u><u>4,682</u></u>	<u><u>256</u></u>
* Cash and cash equivalents at end of financial period comprise the following :		
Cash and bank balances	7,147	6,302
Less: Bank overdrafts		
(included within short term borrowings in Note B6)	(2,465)	(6,046)
	<u><u>4,682</u></u>	<u><u>256</u></u>

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31st March 2019 and the accompanying explanatory notes to the interim financial reports.

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

Notes to the Interim Financial Report

A1. Basis of Preparation

The interim financial reports are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad’s Main Market Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2019. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant for the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2019.

A2. Change in Accounting Policies

The accounting policies adopted are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2019 except for the new and revised Malaysian Financial Reporting Standards (“MFRSs”) and Issues Committee Interpretations (“IC Int.”) issued by the Malaysian Accounting Standards Board (“MASB”) which are effective from the annual financial periods beginning on or after 1 January 2019 as follows:

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 3	Annual Improvements to MFRS Standards 2015-2017 Cycle
Amendments to MFRS 11	Annual Improvements to MFRS Standards 2015-2017 Cycle
Amendments to MFRS 112	Annual Improvements to MFRS Standards 2015-2017 Cycle
Amendments to MFRS 123	Annual Improvements to MFRS Standards 2015-2017 Cycle
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement

The Group has adopted the new and revised MFRSs that are relevant and effective for accounting periods beginning on or after 1 January 2019. The adoption of these new and revised MFRSs have not resulted in any material impact on the financial statements of the Group, except as mentioned below:

MFRS 16 Leases

The Group applied MFRS 16 with effect from 1 January 2019, using the modified retrospective approach, with no restatement of comparative information in accordance with the transition requirements under the Appendix C, paragraph 5(b) of MFRS 16 and cumulative effect of initial application of MFRS 16, if any, will be recognized as an adjustment to the opening balances.

The following table presents the impact of changes to the statement of financial position of the Group resulting from the adoption of MFRS 16 Leases:

	Balance as at 31 March 2019, as previously reported RM’000	Effect of Adoption of MFRS 16 RM’000	Balance as at 1 April 2019, as restated RM’000
Retained earnings	158,119	(153)	157,966
Right-of-use assets	-	7,486	7,486
Lease liabilities	-	7,639	7,639

A3. Audit Qualification on Preceding Annual Financial Statements

The audit report of the Group’s annual Financial Statements for the financial year ended 31 March 2019 was not subject to any qualification.

A4. Seasonal or Cyclical Factors

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

A5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial year.

A6. Material Changes in Accounting Estimates

Not applicable.

A7. Debts and Equity Securities

There are no issuance and repayment of debts and equity securities during the current quarter and the financial year to date.

A8. Dividend Paid

A final dividend of 1.5 sen per share, single tier, for the financial year ended 31 March 2019, amounting to RM 2,478,601, was paid by the Company on 20 September 2019.

A9. Valuations of Property, Plant and Equipment

There was no significant changes during the financial period.

A10. Segmental Reporting

	<u>Revenue</u>		<u>Segment Results</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Manufacturing of wood products	83,581	76,033	8,114	6,391
Distributing of wood products	269,578	303,343	9,858	18,642
Other operating segments	<u>1,846</u>	<u>1,959</u>	<u>(1,203)</u>	<u>(1,312)</u>
	<u>355,005</u>	<u>381,335</u>	<u>16,769</u>	<u>23,721</u>
Elimination of inter-segment revenue:				
- Manufacturing of wood products	(2,117)	(2,452)		
- Distributing of wood products	(10,469)	(10,889)		
- Other operating segments	<u>(1,846)</u>	<u>(1,559)</u>		
	<u>340,573</u>	<u>366,435</u>	16,769	23,721
Interest income			750	712
Interest expense			(5,188)	(5,503)
Depreciation and amortisation			<u>(3,054)</u>	<u>(1,592)</u>
Profit before tax			9,277	17,338
Income tax expense			<u>(2,392)</u>	<u>(3,842)</u>
Profit after tax			<u>6,885</u>	<u>13,496</u>
	<u>Assets</u>		<u>Liabilities</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Manufacturing of wood products	105,788	92,722	63,447	56,846
Distributing of wood products	317,932	349,153	164,305	193,102
Other operating segments	<u>95,524</u>	<u>93,453</u>	<u>2,817</u>	<u>4,846</u>
	<u>519,244</u>	<u>535,328</u>	<u>230,569</u>	<u>254,794</u>

A11. Contingent Liabilities

As of 30 September 2019, the Group has credit facilities from licensed banks, financial institutions and suppliers totalling RM 483.55 million (RM 472.52 million in June 2019) which are guaranteed by the Company. Accordingly, the Company is contingently liable to the extent of credit facilities utilised by its subsidiary companies amounting to approximately RM 193.32 million as at 30 September 2019 (RM 198.93 million in June 2019).

A12. Changes in the Composition of the Group

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

A13. Subsequent Material Events

There are no subsequent material events that are required to be reflected in the current quarter.

A14. Capital Commitment

As of 30 September 2019, the Group has the following capital commitments:

	RM'000
Approved and contracted for :	
Acquisition of land	8,957
Construction of building	10,188
	<u>19,145</u>

Additional Information Required by the Bursa Malaysia Listing Requirements

B1. Review of the Performance

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Changes	Current Year To Date Ended	Preceding Year Ended	Changes
	30.09.2019	30.09.2018		30.09.2019	30.09.2018	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	177,133	193,447	-8.43	340,573	366,435	-7.06
Operating Profit	8,027	11,540	-30.44	16,769	23,721	-29.31
Profit Before Interest and Tax	6,522	10,733	-39.23	13,715	22,129	-38.02
Profit Before Tax	4,665	8,661	-46.14	9,277	17,338	-46.49
Profit After Tax	3,440	6,740	-48.96	6,885	13,496	-48.98
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	3,440	6,740	-48.96	6,885	13,496	-48.98

The Group's revenue for the current year to date ended 30 September 2019 was 7.06% lower than the same period last year. Operating profit decreased 29.31%, from RM 23.72 million to RM 16.77 million.

For current quarter ended 30 September 2019, the Group recorded revenue of RM 177.13 million. This represents a decrease of 8.43% as compared to RM 193.45 million in the preceding year corresponding quarter ended 30 September 2018. Operating profit decreased 30.44%, from RM 11.54 million to RM 8.03 million.

Manufacturing Division

Revenue was recorded at RM 46.48 million for current quarter, representing an increase of 19.79% as compared to RM 38.80 million in the preceding year corresponding quarter ended 30 September 2018. The increase in revenue was mainly due to market share expansion, which enables the Group to grow continuously.

The operating profit has increased 53.43%, from RM 2.77 million to RM 4.25 million. The increase was driven mainly by concentrating on the production of high margin products, as well as effective costs management.

B1. Review of the Performance (continued)Manufacturing Division (continued)

Revenue was recorded at RM 81.46 million for the six months ended 30 September 2019. This represents an increase of 10.71% as compared to RM 73.58 million in the preceding year ended 30 September 2018. Operating profit increased 26.92%, from RM 6.39 million to RM 8.11 million.

Distribution Division

Revenue was recorded at RM 130.66 million for the current quarter. This represents a decrease of 15.40% as compared to RM 154.45 million in the preceding year corresponding quarter ended 30 September 2018. The decrease in revenue was mainly due to slow down in market demand.

Operating profit has declined 51.05%, from RM 9.07 million to RM 4.44 million. The decrease was due mainly to higher purchase price of distributed products. In addition, the sluggish market and competitive pricing has resulted in lower profit margins.

Revenue was recorded at RM 259.11 million for the six months ended 30 September 2019. This represents a decrease of 11.40% as compared to RM 292.45 million in the preceding year ended 30 September 2018. Operating profit decreased 47.10%, from RM 18.64 million to RM 9.86 million.

B2. Variation of Results Against Preceding Quarter

	Current Quarter Ended	Preceding Quarter Ended	Changes
	30.09.2019	30.06.2019	
	RM'000	RM'000	
Revenue	177,133	163,440	8.38
Operating Profit	8,027	8,742	-8.18
Profit Before Interest and Tax	6,522	7,193	-9.33
Profit Before Tax	4,665	4,612	1.15
Profit After Tax	3,440	3,445	-0.15
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	3,440	3,445	-0.15

For the current quarter under review, the Group's revenue increased 8.38% as compared to RM 163.44 million in the preceding quarter ended 30 June 2019. Profit before tax ("PBT") increased 1.15%, from RM 4.61 million to RM 4.67 million.

B3. Prospects

The Board is of the view that wood panel products' prices are expected to fluctuate especially plywood as a result of US-China trade war. Raw material costs, labour supply and foreign exchange rates may also affect the company's profit performance.

The Company will continue to leverage on its competitive strength and greater economies of scale to achieve satisfactory performance in coming financial year.

B4. Taxation

The taxation is calculated based on the profit for the financial period ended 30 September 2019 as follows:

	Current Quarter RM'000	Year To Date RM'000
<u>Income tax Expenses :</u>		
Current Tax Expense :		
Current Quarter/Year	1,225	2,392
	<u>1,225</u>	<u>2,392</u>

B5. Status of Corporate Proposals

There was no corporate proposal for the quarter under review.

B6. Borrowings

The Group's borrowings are as follows :-

	As At 30 September 2019		As At 31 March 2019	
	Foreign Denomination	RM Denomination RM'000	Foreign Denomination	RM Denomination RM'000
SHORT TERM				
Unsecured				
Bankers' Acceptances		152,146		168,161
	AUD 123,543	350	AUD 264,346	764
	VND 14,833,830,668	2,678	VND 7,406,147,946	1,303
	THB 53,498,666	7,330	THB 71,276,074	9,141
Bank Overdrafts		1,052		1,521
	SGD 356,515	1,081	SGD 225,226	678
	AUD 117,097	331	AUD 397,065	1,148
	THB 5,354	1	THB 12,375	2
Term Loans		3,262		2,319
	VND 0	-	VND 527,597,931	93
Revolving Credit		3,013		3,010
Trust Receipts	SGD 2,950,236	8,943	SGD 3,319,153	9,990
Secured				
Hire Purchase Creditors		134		144
		<u>180,321</u>		<u>198,274</u>
LONG TERM				
Unsecured				
Term Loans		3,691		2,674
Secured				
Hire Purchase Creditors		170		239
		<u>3,861</u>		<u>2,913</u>
TOTAL BORROWINGS				
Bankers' Acceptances		162,504		179,369
Bank Overdrafts		2,465		3,349
Term Loans		6,953		5,086
Revolving Credit		3,013		3,010
Trust Receipts		8,943		9,990
Hire Purchase Creditors		304		383
		<u>184,182</u>		<u>201,187</u>

B7. Derivatives Financial Instruments

As at 30 September 2019, the Group's outstanding derivatives are as follows :-

<u>Type of Derivatives</u>	<u>Contract Value RM'000</u>	<u>Fair Value RM'000</u>
Foreign Currency Forward Contracts		
- Less than 1 year	8,080	8,275

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk, credit risk, liquidity risk and foreign currency risk.

B8. Material Litigation

Not applicable.

B9. Proposed Dividend

For financial year ending 31 March 2020

The Board proposed a second interim dividend of 1.0 sen per share, single tier, for the financial year ending 31 March 2020 (2.0 sen per share, single tier, in previous corresponding period) to be paid on 20 December 2019 to shareholders whose names appear in Record of Depositors on 11 December 2019.

Total dividend per share for current financial year-to-date is 2.5 sen.

B10. Earnings Per Share ("EPS")

The EPS is derived as follow :-

	Current Quarter	Current Year To Date
Net profit for the period/year (RM'000)	3,440	6,885
Weighted average number of ordinary shares ('000)	165,240	165,240
EPS (sen)	2.08	4.17

B11. Notes to the Condensed Consolidated Statement of Comprehensive Income

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

	Current Quarter RM'000	Current Year To Date RM'000
Interest income	375	750
Other income including investment income	1,037	1,790
Interest expense	(2,232)	(5,188)
Depreciation and amortisation	(1,505)	(3,054)
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Gain/(Loss) on disposal of quoted or unquoted investments	-	-
Gain/(Loss) on disposal of property, plant and equipment	34	60
Impairment of assets	-	-
Gain/(Loss) on foreign exchange	716	1,082
Gain/(Loss) on derivatives	N/A	N/A