

DOMINANT ENTERPRISE BERHAD

(Company No.221206-D)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019

	<u>FYE2020</u>	<u>FYE2019</u>	<u>FYE2020</u>	<u>FYE2019</u>
	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended 31.12.2019	Preceding Year Corresponding Quarter Ended 31.12.2018	Current Year To Date Ended 31.12.2019	Preceding Year Ended 31.12.2018
	RM'000	RM'000	RM'000	RM'000
Revenue	179,116	189,643	519,690	556,078
Profit from Operations	8,931	14,172	25,700	37,893
Interest Income	371	325	1,121	1,037
Interest Expense	(2,237)	(2,798)	(7,425)	(8,301)
Depreciation and Amortisation	(1,526)	(825)	(4,580)	(2,417)
Profit Before Tax	5,539	10,874	14,816	28,212
Income Tax Expense	(1,047)	(2,631)	(3,440)	(6,473)
Profit After Tax	4,492	8,243	11,376	21,739
Other Comprehensive Income				
Exchange differences on translating foreign operations	98	(140)	483	757
Fair value changes on available-for-sale financial assets	-	40	-	116
Total Comprehensive Income	4,590	8,143	11,859	22,612
Profit attributable to :				
Equity holders of the Company	4,492	8,243	11,376	21,739
Total comprehensive income attributable to :				
Equity holders of the Company	4,590	8,143	11,859	22,612
Earning Per Share				
- Basic (sen)	2.72	4.99	6.88	13.16
- Diluted (sen)	2.72	4.99	6.88	13.16

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 31 December 2019 RM'000	(Audited) As At 31 March 2019 RM'000
ASSETS		
<u>Non-Current Assets</u>		
Property, plant and equipment	137,681	126,109
Investment properties	722	722
Inventories	13,542	13,447
Prepaid lease payments for land	5,213	5,351
Right-of-use assets	7,808	-
Goodwill	837	837
	<u>165,803</u>	<u>146,466</u>
<u>Current Assets</u>		
Inventories	136,074	150,488
Trade receivables	166,174	164,607
Other receivables and prepaid expenses	2,097	8,669
Current tax assets	2,599	254
Short term investments	46,411	45,250
Cash and bank balances	12,523	10,286
	<u>365,878</u>	<u>379,554</u>
TOTAL ASSETS	531,681	526,020
EQUITY AND LIABILITIES		
<u>Equity Attributable To Owners Of The Company</u>		
Share capital	83,097	83,097
Other reserves	35,525	35,042
Retained earnings	162,733	158,119
Total Equity	281,355	276,258
<u>Non-Current Liabilities</u>		
Borrowings	7,720	2,913
Lease liabilities	5,688	-
Deferred tax liabilities	7,834	7,834
	<u>21,242</u>	<u>10,747</u>
<u>Current Liabilities</u>		
Trade payables	38,145	29,108
Other payables and accrued expenses	6,269	9,528
Borrowings	181,303	198,274
Lease liabilities	2,334	-
Current tax liabilities	1,033	2,105
	<u>229,084</u>	<u>239,015</u>
Total Liabilities	250,326	249,762
TOTAL EQUITY AND LIABILITIES	531,681	526,020
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	-	873	21,739	22,612
Reclassification	-	(185)	185	-
Dividend	-	-	(8,262)	(8,262)
Balance as at 31 December 2018	83,097	34,194	157,206	274,497
Balance as at 1 April 2019, as previously reported	83,097	35,042	158,119	276,258
Effect of adoption of MFRS 16	-	-	(153)	(153)
Balance as at 1 April 2019, as restated	83,097	35,042	157,966	276,105
Total comprehensive income for the year	-	483	11,376	11,859
Dividend	-	-	(6,609)	(6,609)
Balance as at 31 December 2019	83,097	35,525	162,733	281,355

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 31.12.2019 RM'000	Financial Period Ended 31.12.2018 RM'000
Profit for the period	11,376	21,739
Adjustments for : -		
Non-cash items	4,215	3,421
Non-operating items	6,304	7,264
Taxation	3,440	6,473
<i>Operating profit before changes in working capital</i>	<u>25,335</u>	<u>38,897</u>
Changes in working capital		
Net change in current assets	20,816	(37,942)
Net change in current liabilities	5,669	(1,552)
<i>Cash from / (used in) operations</i>	51,820	(597)
Interest paid	(199)	(251)
Income tax paid	(6,865)	(5,828)
Net cash from / (used in) operating activities	<u>44,756</u>	<u>(6,676)</u>
<i>Cash flows from / (used in) investing activities</i>		
Interest received	1,121	1,037
Proceeds from disposal of property, plant and equipment	78	8
Purchase of property, plant and equipment	(13,996)	(3,546)
Placement of short term investments	(1,079)	(1,017)
Net cash used in investing activities	<u>(13,876)</u>	<u>(3,518)</u>
<i>Cash flows from / (used in) financing activities</i>		
Net (repayment)/ drawdown of borrowings	(18,393)	31,871
Dividends paid	(6,609)	(8,262)
Interest paid	(7,209)	(8,050)
Repayments of hire-purchase payables	(64)	(108)
Repayments of lease liabilities	(1,889)	-
Proceeds from / (Repayments of) term loans	5,320	(2,587)
Net cash (used in) / from financing activities	<u>(28,844)</u>	<u>12,864</u>
Net Changes in Cash & Cash Equivalents	2,036	2,670
Adjustment for foreign exchange differentials	(73)	(225)
Cash & Cash Equivalents at beginning of financial period	6,937	4,409
Cash & Cash Equivalents at end of financial period	<u><u>8,900</u></u>	<u><u>6,854</u></u>
* Cash and cash equivalents at end of financial period comprise the following :		
Cash and bank balances	12,523	9,687
Less: Bank overdrafts		
(included within short term borrowings in Note B6)	(3,623)	(2,833)
	<u><u>8,900</u></u>	<u><u>6,854</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 31 DECEMBER 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 first interim dividend of 1.5 sen per share, single tier, for the financial year ending 31 March 2020, amounting to RM 2,478,601, was paid by the Company on 25 October 2019.

A second interim dividend of 1.0 sen per share, single tier, for the financial year ending 31 March 2020, amounting to RM 1,652,401, was paid by the Company on 20 December 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	134,030	114,015	13,173	11,174
Distributing of wood products	404,187	461,736	15,334	28,340
Other operating segments	<u>2,770</u>	<u>2,939</u>	<u>(2,807)</u>	<u>(1,621)</u>
	<u>540,987</u>	<u>578,690</u>	<u>25,700</u>	<u>37,893</u>
Elimination of inter-segment revenue:				
- Manufacturing of wood products	(3,350)	(3,524)		
- Distributing of wood products	(15,177)	(16,749)		
- Other operating segments	<u>(2,770)</u>	<u>(2,339)</u>		
	<u>519,690</u>	<u>556,078</u>	<u>25,700</u>	<u>37,893</u>
Interest income			1,121	1,037
Interest expense			(7,425)	(8,301)
Depreciation and amortisation			<u>(4,580)</u>	<u>(2,417)</u>
Profit before tax			14,816	28,212
Income tax expense			<u>(3,440)</u>	<u>(6,473)</u>
Profit after tax			<u>11,376</u>	<u>21,739</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	115,513	90,471	71,343	58,465
Distributing of wood products	317,223	360,671	166,665	199,449
Other operating segments	<u>96,346</u>	<u>93,579</u>	<u>3,451</u>	<u>4,110</u>
	<u>529,082</u>	<u>544,721</u>	<u>241,459</u>	<u>262,024</u>

A11. Contingent Liabilities

As of 31 December 2019, the Group has credit facilities from licensed banks, financial institutions and suppliers totalling RM 492.28 million (RM 483.55 million in September 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 201.04 million as at 31 December 2019 (RM 193.32 million in September 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 31 December 2019, the Group has the following capital commitments:

	RM'000
Approved and contracted for :	
Acquisition of land	5,758
Construction of building	8,334
	<u>14,092</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
	31.12.2019	31.12.2018		31.12.2019	31.12.2018	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	179,116	189,643	-5.55	519,690	556,078	-6.54
Operating Profit	8,931	14,172	-36.98	25,700	37,893	-32.18
Profit Before Interest and Tax	7,405	13,347	-44.52	21,120	35,476	-40.47
Profit Before Tax	5,539	10,874	-49.06	14,816	28,212	-47.48
Profit After Tax	4,492	8,243	-45.51	11,376	21,739	-47.67
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	4,492	8,243	-45.51	11,376	21,739	-47.67

The Group's revenue for the current year to date ended 31 December 2019 was 6.54% lower than the same period last year. Operating profit decreased 32.18%, from RM 37.89 million to RM 25.70 million.

For current quarter ended 31 December 2019, the Group recorded revenue of RM 179.12 million. This represents a decrease of 5.55% as compared to RM 189.64 million in the preceding year corresponding quarter ended 31 December 2018. Operating profit decreased 36.98%, from RM 14.17 million to RM 8.93 million.

Manufacturing Division

Revenue was recorded at RM 49.22 million for current quarter, representing an increase of 33.35% as compared to RM 36.91 million in the preceding year corresponding quarter ended 31 December 2018. The increase in revenue was mainly due to market share expansion, which enables the Group to grow continuously.

The operating profit has increased 5.86%, from RM 4.78 million to RM 5.06 million. The increase was due to higher sales.

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

Revenue was recorded at RM 130.68 million for the nine months ended 31 December 2019. This represents an increase of 18.27% as compared to RM 110.49 million in the preceding year ended 31 December 2018. Operating profit increased 17.91%, from RM 11.17 million to RM 13.17 million.

Distribution Division

Revenue was recorded at RM 129.90 million for the current quarter. This represents a decrease of 14.84% as compared to RM 152.53 million in the preceding year corresponding quarter ended 31 December 2018. The decrease in revenue was mainly due to slow down in market demand.

Operating profit has declined 43.51%, from RM 9.70 million to RM 5.48 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 389.01 million for the nine months ended 31 December 2019. This represents a decrease of 12.58% as compared to RM 444.99 million in the preceding year ended 31 December 2018. Operating profit decreased 45.91%, from RM 28.34 million to RM 15.33 million.

B2. Variation of Results Against Preceding Quarter

	Current Quarter	Preceding Quarter	Changes
	Ended	Ended	
	31.12.2019	30.09.2019	
	RM'000	RM'000	%
Revenue	179,116	177,133	1.12
Operating Profit	8,931	8,027	11.26
Profit Before Interest and Tax	7,405	6,522	13.54
Profit Before Tax	5,539	4,665	18.74
Profit After Tax	4,492	3,440	30.58
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	4,492	3,440	30.58

For the current quarter under review, the Group's revenue increased 1.12% as compared to RM 177.13 million in the preceding quarter ended 30 September 2019. Profit before tax ("PBT") increased 18.74%, from RM 4.67 million to RM 5.54 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 31 December 2019 as follows:

	Current Quarter RM'000	Year To Date RM'000
<u>Income tax Expenses :</u>		
Current Tax Expense :		
Current Quarter/Year	1,047	3,440
	<u>1,047</u>	<u>3,440</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 31 December 2019		As At 31 March 2019	
	Foreign Denomination	RM Denomination RM'000	Foreign Denomination	RM Denomination RM'000
SHORT TERM				
Unsecured				
Bankers' Acceptances		152,933		168,161
	AUD 39,141	112	AUD 264,346	764
	VND 10,990,917,577	1,945	VND 7,406,147,946	1,303
	THB 55,931,032	7,653	THB 71,276,074	9,141
Bank Overdrafts		3,232		1,521
	SGD 128,441	390	SGD 225,226	678
	AUD 0	-	AUD 397,065	1,148
	THB 2,561	1	THB 12,375	2
Term Loans		3,283		2,319
	VND 0	-	VND 527,597,931	93
Revolving Credit		2,510		3,010
Trust Receipts	SGD 2,994,149	9,098	SGD 3,319,153	9,990
Secured				
Hire Purchase Creditors		146		144
		<u>181,303</u>		<u>198,274</u>
LONG TERM				
Unsecured				
Term Loans		7,547		2,674
Secured				
Hire Purchase Creditors		173		239
		<u>7,720</u>		<u>2,913</u>
TOTAL BORROWINGS				
Bankers' Acceptances		162,643		179,369
Bank Overdrafts		3,623		3,349
Term Loans		10,830		5,086
Revolving Credit		2,510		3,010
Trust Receipts		9,098		9,990
Hire Purchase Creditors		319		383
		<u>189,023</u>		<u>201,187</u>

B7. Derivatives Financial Instruments

As at 31 December 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	17,756	17,770

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 third 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 March 2020 to shareholders whose names appear in Record of Depositors on 11 March 2020.

Total dividend per share for current financial year-to-date is 3.5 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)	4,492	11,376
Weighted average number of ordinary shares ('000)	165,240	165,240
EPS (sen)	2.72	6.88

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	371	1,121
Other income including investment income	667	2,457
Interest expense	(2,237)	(7,425)
Depreciation and amortisation	(1,526)	(4,580)
Provision for and write off of receivables	(116)	(116)
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	-	60
Impairment of assets	-	-
Gain/(Loss) on foreign exchange	625	1,707
Gain/(Loss) on derivatives	N/A	N/A