



INTERIM FINANCIAL REPORT

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 31 AUGUST 2016**

	Second Quarter		Cumulative Quarter	
	Current Year Quarter 31/08/2016 RM'000	Preceding Year Corresponding Quarter 31/08/2015 RM'000	Current Year To Date 31/08/2016 RM'000	Preceding Year Corresponding Period 31/08/2015 RM'000
Revenue	103,809	121,409	227,752	260,044
Operating Expenses	(96,498)	(109,403)	(211,319)	(233,089)
Other Operating Income	501	4,064	3,495	4,786
Profit from Operations	7,812	16,070	19,928	31,741
Finance Cost	(1,649)	(2,317)	(3,417)	(4,519)
Share of profit/(loss) in associate company	423	(107)	402	(96)
Share of (loss)/profit in joint venture company	(5)	128	(7)	177
Profit before taxation	6,581	13,774	16,906	27,303
Taxation	(1,549)	(3,345)	(3,858)	(7,751)
Profit for the period	5,032	10,429	13,048	19,552
Other comprehensive income net of tax				
Foreign currency translation differences for foreign operation	(6,302)	9,188	(6,999)	10,882
Realisation of revaluation reserve upon depreciation of revalued asset	61	38	107	44
Transfer of revaluation reserve to unappropriated profit	(61)	(38)	(107)	(44)
Fair value loss on cash flow hedge	(629)	(563)	(579)	(45)
Total comprehensive income for the period	(1,899)	19,054	5,470	30,389
Profit for the period attributable to:				
Owners of the Company	5,136	10,429	13,225	19,552
Non-controlling interest	(104)	-	(177)	-
	5,032	10,429	13,048	19,552
Total comprehensive income for the period attributable to:				
Owners of the Company	(1,795)	19,054	5,647	30,389
Non-controlling interest	(104)	-	(177)	-
	(1,899)	19,054	5,470	30,389
Earnings per share				
(a) Basic earnings per RM0.20 share (sen)	0.84	1.72	2.16	3.23
(b) Diluted earnings per RM0.20 share (sen)	0.84	1.72	2.16	3.23

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 29 February 2016 and the accompanying explanatory notes attached to the interim financial reports.

**INTERIM FINANCIAL REPORT****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2016**

	31/08/2016	29/02/2016
	Unaudited	Audited
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, Plant And Equipment	192,897	199,755
Prepaid Land Lease Payments	34,015	26,844
Investment Properties	6,500	6,500
Investment In An Associate Company	2,636	2,234
Investment In A Joint Venture Company	789	797
Capital Work-in-progress	17,586	10,260
Derivatives Financial Instruments	1,822	-
Goodwill on Acquisition	1,282	1,282
Deferred Tax Assets	886	1,413
	<u>258,413</u>	<u>249,085</u>
Current Assets		
Inventories	233,505	253,368
Trade and Other Receivables	108,955	119,582
Amount Due from An Associate Company	10,485	17,323
Derivatives Financial Instruments	931	3,998
Fixed Deposits with Licensed Banks	2,385	2,352
Cash and Bank Balances	83,026	74,599
	<u>439,287</u>	<u>471,222</u>
TOTAL ASSETS	<u>697,700</u>	<u>720,307</u>
EQUITY AND LIABILITIES		
Share Capital	123,294	123,294
Share Premium	80,634	80,634
Treasury Shares	(507)	(2,949)
Revaluation Reserve	12,648	12,755
Warrants Reserve	7,482	7,482
Other Reserves	9,862	17,440
Unappropriated Profit	274,209	270,641
Equity attributable to owners of the Parent	<u>507,622</u>	<u>509,297</u>
Non-Controlling Interest	9,596	(27)
Total Equity	<u>517,218</u>	<u>509,270</u>
Non-Current Liabilities		
Long Term Borrowings	38,068	40,317
Other Payables	261	263
Deferred Tax Liabilities	5,823	5,892
	<u>44,152</u>	<u>46,472</u>
Current Liabilities		
Trade and Other Payables	34,481	38,101
Overdraft and Short Term Borrowings	98,094	119,348
Amount Due to A Joint Venture Company	-	802
Amount Due to An Associate Company	214	253
Derivative Financial Instruments	71	727
Tax Payable	422	2,275
Dividend Payable	3,048	3,059
	<u>136,330</u>	<u>164,565</u>
Total Liabilities	<u>180,482</u>	<u>211,037</u>
TOTAL EQUITY AND LIABILITIES	<u>697,700</u>	<u>720,307</u>
 NET ASSETS PER SHARE OF RM0.20 EACH (RM)	 0.82	 0.83

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 29 February 2016 and the accompanying explanatory notes attached to the interim financial reports.



INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 AUGUST 2016

	GROUP 31/08/2016 RM'000	GROUP 31/08/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,906	27,303
Adjustments for:		
Allowance for impairment of receivables	421	1,205
Allowance for impairment of receivables no longer required	(1,655)	-
Allowance for slow moving inventories	92	384
Amortisation of prepaid land lease payments	272	161
Depreciation of property, plant and equipment	6,913	7,178
Interest expense	2,814	3,941
Bad debts written off	-	13
Interest income	(435)	(164)
Gain on disposal of property, plant and equipment	(91)	(38)
Loss on fair value of derivatives financial instruments	9	217
Unrealised exchange gain on foreign exchange	(362)	(5,174)
Other non-cash items	(389)	(79)
Operating profit before changes in working capital	24,495	34,947
Changes in working capital:-		
Inventories	19,770	7,642
Receivables	13,297	1,501
Payables	(3,260)	(4,221)
Associate company	6,799	(13,891)
Joint Venture Company	(802)	21
Cash generated from operations	60,299	25,999
Tax paid (net)	(6,640)	(8,690)
Net cash generated from operating activities	53,659	17,309
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	435	164
Purchase of property, plant and equipment	(818)	(2,878)
Proceeds from disposal of property, plant and equipment	140	76
Capital work-in-progress incurred	(7,326)	(6,089)
Proceed from non-controlling interests	2,588	-
Purchase of prepaid land lease payment	(231)	-
Net cash used in investing activities	(5,212)	(8,727)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(6,107)	(3,589)
Proceeds from issuance of share capital	-	968
Purchase of treasury shares	(1,226)	(547)
Interest paid	(3,232)	(4,118)
Repayment of finance lease creditors	(2,104)	(1,164)
Repayment of short-term borrowings	(21,103)	(15,573)
Drawdown of term loans	10,200	-
Repayment of term loans	(11,248)	(12,378)
Net cash used in financing activities	(34,820)	(36,401)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,627	(27,819)
EFFECT OF EXCHANGE RATE CHANGES	(5,167)	7,811
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	76,951	57,676
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	85,411	37,668

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 29 February 2016 and the accompanying explanatory notes attached to the interim financial reports.



PANTECH GROUP HOLDINGS BERHAD

Company No. 733607 W
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 AUGUST 2016

	← Attributable to Owners of the Company →													
	← Non-Distributable →											Distributable		
	Share Capital RM'000	Share Application Money RM'000	Share Premium RM'000	Treasury Shares RM'000	ICULS- Equity component RM'000	Warrants Reserve RM'000	Revaluation Reserve RM'000	Share Option Reserve RM'000	Exchange Translation Reserve RM'000	Cash Flow Hedge Reserve RM'000	Unappropriated Profits RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Balance as at 1 March 2015	120,597	7	74,744	(4,139)	4,821	7,482	3,904	94	7,237	1,304	251,355	467,406	-	467,406
Transactions with owners:														
Issuance of shares pursuant to exercise of ESOS	291	(7)	1,077	-	-	-	-	(94)	-	-	(299)	968	-	968
Issuance of shares pursuant to conversion of ICULS	2,406	-	4,813	-	(4,821)	-	-	-	-	-	(1,657)	741	-	741
Acquisition of treasury shares	-	-	-	(547)	-	-	-	-	-	-	-	(547)	-	(547)
Final dividend payable to Shareholders	-	-	-	-	-	-	-	-	-	-	(3,048)	(3,048)	-	(3,048)
Final share dividend distributable to Shareholders	-	-	-	-	-	-	-	-	-	-	(3,984)	(3,984)	-	(3,984)
First interim dividend payable to Shareholders	-	-	-	-	-	-	-	-	-	-	(3,078)	(3,078)	-	(3,078)
Total transactions with owners	2,697	(7)	5,890	(547)	(4,821)	-	-	(94)	-	-	(12,066)	(8,948)	-	(8,948)
Profit for the period	-	-	-	-	-	-	-	-	-	-	19,552	19,552	-	19,552
Other comprehensive income for the period	-	-	-	-	-	-	(44)	-	10,882	(45)	44	10,837	-	10,837
Total comprehensive income for the period	-	-	-	-	-	-	(44)	-	10,882	(45)	19,596	30,389	-	30,389
Balance as at 31 August 2015	123,294	-	80,634	(4,686)	-	7,482	3,860	-	18,119	1,259	258,885	488,847	-	488,847

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 29 February 2016 and the accompanying explanatory notes attached to the interim financial reports



PANTECH GROUP HOLDINGS BERHAD

Company No. 733607 W
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 AUGUST 2016 (continued)

	← Attributable to Owners of the Company →								→		
	← Non-Distributable →				Distributable						
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Warrants Reserve RM'000	Revaluation Reserve RM'000	Exchange Translation Reserve RM'000	Cash Flow Hedge Reserve RM'000	Unappropriated Profits RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Balance as at 1 March 2016	123,294	80,634	(2,949)	7,482	12,755	14,178	3,262	270,641	509,297	(27)	509,270
Transactions with owners:											
Increase share capital in subsidiary	-	-	-	-	-	-	-	-	-	9,800	9,800
Acquisition of treasury shares	-	-	(1,226)	-	-	-	-	-	(1,226)	-	(1,226)
Final dividend paid to Shareholders	-	-	-	-	-	-	-	(3,048)	(3,048)	-	(3,048)
Final share dividend distributed to Shareholders	-	-	3,668	-	-	-	-	(3,668)	-	-	-
First interim dividend payable to Shareholders	-	-	-	-	-	-	-	(3,048)	(3,048)	-	(3,048)
Total transactions with owners	-	-	2,442	-	-	-	-	(9,764)	(7,322)	9,800	2,478
Profit for the period	-	-	-	-	-	-	-	13,225	13,225	(177)	13,048
Other comprehensive income for the period	-	-	-	-	(107)	(6,999)	(579)	107	(7,578)	-	(7,578)
Total comprehensive income for the period	-	-	-	-	(107)	(6,999)	(579)	13,332	5,647	(177)	5,470
Balance as at 31 August 2016	123,294	80,634	(507)	7,482	12,648	7,179	2,683	274,209	507,622	9,596	517,218

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 29 February 2016 and the accompanying explanatory notes attached to the interim financial reports



INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of Preparation

The interim financial statements have been prepared under the historical cost convention except for the revaluation of properties included within property, plant and equipment and investment properties which are stated at fair value.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) No 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of Listing Requirements of Bursa Malaysia Securities Berhad. These interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”).

The interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 29 February 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 29 February 2016.

A2 Summary of Significant Accounting Policies

(a) Adoption of New and Amendments to MFRSs

Significant accounting policies adopted by the Group in this interim financial statements are consistent with those of the audited financial statements for year ended 29 February 2016, except for adoption of the following new standards and amendments to MFRSs which are mandatory for the financial period beginning on or after 1 January 2016.

- MFRS 14 Regulatory Deferral Accounts
- Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures: Investment Entities – Applying the Consolidation Exception
- Amendments to MFRS 11 Joint Arrangements: Accounting for acquisitions of interests in joint operations
- Amendments to MFRS 101 Presentation of Financial Statements: Disclosure Initiative
- Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets : Clarification of acceptable methods of depreciation and amortization
- Amendments to MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture: Agriculture - Bearer Plants



INTERIM FINANCIAL REPORT

A2 Summary of Significant Accounting Policies (continued)

(a) Adoption of New and Amendments to MFRSs (continued)

- Amendments to MFRS 127 Consolidated and Separate Financial Statements: Equity Method in Separate Financial Statements
- Annual Improvements to MFRSs 2012 – 2015 Cycle, including the amendments to:
 - MFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal
 - MFRS 7 Financial Instruments - Disclosures: Servicing contracts
 - MFRS 7 Financial Instruments - Disclosures: Applicability of the amendments to MFRS 7 to condensed interim financial statements
 - MFRS 119 Employee Benefits: Discount rate – regional market issue
 - MFRS 134 Interim Financial Reporting: Disclosure of information “elsewhere in the interim financial report”

(b) Standards Issued But Not Yet Effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRS and IC Interpretation were issued but not yet effective and have not been applied by the Group:

Amendments to MFRS effective 1 January 2017:

- Amendments to MFRS 107 – Disclosure Initiative
- Amendments to MFRS 112 – Recognition of Deferred Tax Assets

MFRS and Amendments to MFRSs effective 1 January 2018:

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2015)
- MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 7 Financial Instruments – Disclosures: Mandatory effective date of MFRS 9 and transitional disclosures

Amendments to MFRS effective 1 January 2019:

- MFRS 16 Leases



INTERIM FINANCIAL REPORT

A2 Summary of Significant Accounting Policies (continued)

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

Amendments to MFRS (deferred effective date to be announced by the MASB):

- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture

MFRS 5, 14 and 141 are not applicable to the Group's operations.

MFRS 5, 10, 11, 12, 14, 116, 119, 127, 128, 134, 138 and 141 are not applicable to the Company's operations.

The initial adoption of the above standards, amendments and interpretations are not expected to have any financial impacts to the financial statements of the Group except for MFRS 9, MFRS 15 and MFRS 16. The Group is currently assessing the impact of MFRS 9, MFRS 15 and MFRS 16 and plans to adopt the new standards on the required effective date.

A3 Audit Report of Preceding Annual Financial Statement

The audited financial statements of the Company and its subsidiary companies for the financial year ended 29 February 2016 were not subject to any audit qualification.

A4 Seasonal or Cyclical Factors

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

A5 Unusual Items due to Their Nature, Size or Incidence

There were no unusual items that affected the assets, liabilities, equity, net income and cash flows of the Group during the quarter under review.

A6 Material Changes in Estimates

There were no changes in estimates that have a material effect during the quarter under review.



INTERIM FINANCIAL REPORT

A7 Debt and Equity Securities

Save as disclosed below, there were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the Company:

a) Treasury Shares

During the current financial year-to-date under review, the Company had purchased 2,169,300 ordinary share or 0.35% of its issued share capital from the open market at the average price paid of RM0.57 per share. The purchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act, 1965.

The Company has the right to cancel, resell any shares purchased and/or distributes as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended.

As at the end of financial year-to-date under review, the number of ordinary shares in issue after deducting treasury shares against equity is 615,629,556 ordinary shares of RM0.20 each.

A8 Dividend Paid

	Current Year To-date RM'000	Preceding Year Corresponding Period RM'000
Final dividend in respect of financial year ended 29 February 2016, paid on 18 August 2016		-
i) Single tier dividend of 0.50 sen per ordinary share of RM0.20 each	3,048	
ii) Share dividend via distribution of treasury shares on the basis of 1 treasury share for every 100 existing ordinary shares of RM0.20 each	3,668	
Third interim dividend in respect of financial year ended 29 February 2016, paid on 15 April 2016 Single tier dividend of 0.50 sen per ordinary share of RM0.20 each	3,059	-
Third interim dividend in respect of financial year ended 28 February 2015, paid on 16 April 2015 Single tier dividend of 0.60 sen per ordinary share of RM0.20 each	-	3,589
	9,775	3,589



INTERIM FINANCIAL REPORT

A9 Segment Information

The Group is principally engaged in the business segments of trading of PVF*, manufacturing of pipes and pipe fittings, investments and management.

	Trading of PVF products RM'000	Manufacturing of pipes & pipe fittings RM'000	Investment and Management RM'000	Elimination RM'000	Total RM'000
Period Ended 31 August 2016					
Revenue					
External Revenue	144,156	83,596	-	-	227,752
Intersegment revenue	16,510	17,438	12,336	(46,284)	-
Total revenue	160,666	101,034	12,336	(46,284)	227,752
Segment Profit	12,046	7,708	10,583	(10,844)	19,493
Interest income					435
Finance costs					(3,417)
Share of loss of joint venture					(7)
Share of profit of associate					402
Profit before tax					16,906

	Trading of PVF products RM'000	Manufacturing of pipes & pipe fittings RM'000	Investment and Management RM'000	Elimination RM'000	Total RM'000
Period Ended 31 August 2015					
Revenue					
External Revenue	157,197	102,847	-	-	260,044
Intersegment revenue	8,364	15,781	1,271	(25,416)	-
Total revenue	165,561	118,628	1,271	(25,416)	260,044
Segment Profit	17,388	14,725	(28)	(508)	31,577
Interest income					164
Finance costs					(4,519)
Share of profit of joint venture					177
Share of loss of associate					(96)
Profit before tax					27,303

* PVF: Represents pipes, valves and fittings.



INTERIM FINANCIAL REPORT

A9 Segment Information (continued)

Analysis of the Group's revenue by geographical segments:

	Revenue	
	Current Year to-date RM'000	Preceding Year Corresponding Period RM'000
Generated by Malaysia operation	242,911	258,041
Generated by overseas operation	31,125	27,419
	274,036	285,460
Inter-segments elimination	(46,284)	(25,416)
	227,752	260,044

A10 Valuation of Property, Plant and Equipment

Property, plant and equipment of the Group are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

There was no changes to the valuation of property, plant and equipment brought forward from the preceding audited financial statements for the financial year ended 29 February 2016.

A11 Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the current financial quarter to date of this announcement, which is likely to substantially affect the results and the operations of the Group.

A12 Changes in the Composition of the Group

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

A13 Contingent Liabilities

As at the date of this announcement, there were no material contingent liabilities incurred by the Group which, upon crystallization would have a material impact on the financial position and business of the Group.

The Company has provided the following corporate guarantees to financial institutions and suppliers for credit facilities granted to its subsidiaries:-

	31 Aug 2016
	RM'000
Corporate guarantees	<u>766,636</u> *

* Represents the total limit of Pantech's corporate guarantee



INTERIM FINANCIAL REPORT

A14 Capital Commitments

Authorised capital commitments not provided for in the interim financial statements as at 31 August 2016 are as follows:

	31 Aug 2016
	RM'000
Approved and contracted for	<u>9,642</u>



INTERIM FINANCIAL REPORT

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

B1 Review of Performance

Business Segment	Revenue		Revenue	
	Current Quarter		6 months to	
	31-Aug-16	31-Aug-15	31-Aug-16	31-Aug-15
	RM'000	RM'000	RM'000	RM'000
Trading	64,470	75,626	144,156	157,197
Manufacturing	39,339	45,783	83,596	102,847
Investment and Management	-	-	-	-
Consolidated Total	103,809	121,409	227,752	260,044

Business Segment	Profit Before Taxation		Profit Before Taxation	
	Current Quarter		6 months to	
	31-Aug-16	31-Aug-15	31-Aug-16	31-Aug-15
	RM'000	RM'000	RM'000	RM'000
Trading	3,936	6,363	11,350	14,438
Manufacturing	3,808	8,103	7,723	14,452
Investment and Management	(1,163)	(692)	(2,167)	(1,587)
Consolidated Total	6,581	13,774	16,906	27,303

Trading Division

For the current quarter ended 31 August 2016, the trading division recorded a lower external revenue of RM64.47 million (Q2FY16: RM75.63 million) and lower segment profit before tax of RM3.94 million (Q2FY16: RM6.36 million), a decrease of approximately RM11.16 million (14.76%) and RM2.42 million (38.05%) respectively.

For the 6 months ended 31 August 2016, the trading division recorded a lower external revenue of RM144.16 million (6 months FY16: RM157.20 million) and a lower segment profit before tax of RM11.35 million (6 months FY16: RM14.44 million), a decrease of approximately RM13.04 million (8.30%) and RM3.09 million (21.40%).

The lower revenue and segment profit before tax for the current quarter and the 6 months ended 31 August 2016 was mainly due to the lower sales demand and delivery in the local oil and gas sector, while competitive pricing has caused the lower profit margin.



INTERIM FINANCIAL REPORT

B1 Review of Performance (continued)

Manufacturing Division

For the current quarter ended 31 August 2016, the manufacturing division recorded a lower external revenue of RM39.34 million (Q2FY16: RM45.78 million) and a lower segment profit before tax of RM3.81 million (Q2FY16: RM8.10 million), a decrease of approximately RM6.44 million (14.07%) and RM4.29 million (52.96%) respectively.

For the 6 months ended 31 August 2016, the manufacturing division recorded a lower external revenue of RM83.60 million (6 months FY16: RM102.85 million) and a lower segment profit before tax of RM7.72 million (6 months FY16: RM14.45 million), a decrease of approximately RM19.25 million (18.72%) and RM6.73 million (46.57%) respectively.

The lower revenue and segment profit before tax for the current quarter and the 6 months ended 31 August 2016 was mainly due to decrease in manufacturing division output caused by the decrease in global sales demand from oil and gas sector as well as competitive pricing in the international market.

Investment and Management Division

This is mainly inter-group dividend and management fees income and group related expenses.

Group Performance

For the current quarter ended 31 August 2016, the Group registered a lower revenue of RM103.81 million (Q2FY16: RM121.41 million) and lower profit before tax of RM6.58 million (Q2FY16: RM13.77 million).

For the 6 months ended 31 August 2016, the Group registered a lower revenue of RM227.75 million (6 months FY16: RM260.04 million) and lower profit before tax of RM16.91 million (6 months FY16: RM27.30 million).

The weaker performance of the group for the current quarter and the 6 months ended 31 August 2016 was mainly due to the global and local demand from oil and gas sector remain weak as well as the competitive pricing.

B2 Variation of Results against Preceding Quarter

In the current quarter under review, the Group reported a lower revenue of RM103.81 million compared to the preceding quarter of RM123.94 million, and a lower profit after taxation of RM5.03 million compared to preceding quarter of RM8.02 million which was mainly due to weaker sales in both trading and manufacturing division.



INTERIM FINANCIAL REPORT

B3 Prospects

In view of the current low international oil price, the Group is cautious with the challenges faced by the oil and gas industry in both global and domestic market.

With the continuous development of RAPID projects and associated facilities in southern Johor, the Group is aware of the short term challenges in the oil and gas industries but is of the view that the long term outlook of the Group continues to be positive.

Barring any unforeseen circumstances, the Group expects its overall performance for the current financial year to remain resilient.

B4 Variance on Profit Forecast/Profit Guarantee

There is no profit forecast or guarantee issued by the Group for the current financial year and quarter under review.

B5 Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31-Aug-16 RM'000	Preceding Year Corresponding Quarter 31-Aug-15 RM'000	Current Year To Date 31-Aug-16 RM'000	Preceding Year Corresponding Period 31-Aug-15 RM'000
Current taxation	1,511	3,640	3,377	7,805
Over-provision of taxation in prior year	(27)	-	(27)	-
Transferred from deferred tax assets	83	-	538	-
Transferred to deferred tax liabilities	-	(274)	-	(12)
Crystallization of deferred taxation upon depreciation of revalued assets	(18)	(21)	(30)	(42)
	<u>1,549</u>	<u>3,345</u>	<u>3,858</u>	<u>7,751</u>



INTERIM FINANCIAL REPORT

B5 Taxation (continued)

Tax expense for the current quarter and financial year-to-date ended 31 August 2016 is derived based on the management's best estimate of the tax charges for the year. The effective tax rate of the Group for the current financial year-to-date is lower than the statutory rate, mainly due to utilization of the tax incentive by one of the subsidiary.

B6 Status of Corporate Proposals

On 7 October 2016, on behalf of the Board of Directors of Pantech Group Holdings Berhad ("Pantech" or "Company"), Kenanga Investment Bank Berhad announced that the Company proposes to undertake the following:

- i) a proposed bonus issue of up to 138,089,185 new ordinary shares of RM0.20 each in Pantech ("Bonus Shares") on the basis of one (1) Bonus Share for every five (5) existing ordinary shares of RM0.20 each in Pantech ("Pantech Shares" or "Shares") held on an entitlement date to be determined and announced later ("Entitlement Date");
- ii) a proposed bonus issue of up to 69,044,592 free warrants in Pantech ("Warrants B") on the basis of one (1) Warrant B for every ten (10) existing Pantech Shares held on the Entitlement Date; and
- iii) a proposed establishment of an employees' share option scheme ("ESOS") of up to 10% of the issued and paid up share capital of Pantech (excluding treasury shares) at any point in time, for the eligible Directors and employees of Pantech and its subsidiaries.

(Collectively referred to as the "Proposals")

An application will be made to the relevant authorities seeking approval for the Proposals. Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to be completed in the fourth (4th) quarter of 2016.



INTERIM FINANCIAL REPORT

B7 Group Borrowings and Debt Securities

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

	Current RM'000	Non-current RM'000
<u>Unsecured:-</u>		
- Term loans	19,046	34,881
- Hire purchase	2,992	3,187
- Bankers' acceptances, trust receipts and other short term loan	59,788	-
- Onshore foreign currency loan	16,268	-
	<u>98,094</u>	<u>38,068</u>

Foreign currency borrowings included above:

	Foreign Currency '000	RM Equivalent '000
US Dollar	3,866	15,567
SGD Dollar	39	118
GBP Pound	133	701

B8 Material Litigation

There are no pending material litigations as at the date of this quarterly report that has a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings, which might materially affect the position or business of the Group.

B9 Dividends

The Board of Directors has approved and declared a second interim single tier dividend of 0.50 sen per ordinary shares of RM0.20 each in respect of the financial year ending 28 February 2017 (Previous year corresponding period: 0.60 sen). The second interim dividend will be paid on 27 December 2016 to shareholders whose names appear on the Company's Record of Depositors on 1 December 2016.

The total dividend per share for the current financial year is 1.00 sen single tier dividend per ordinary share of RM0.20 each (Preceding year corresponding period: 1.10 sen).



INTERIM FINANCIAL REPORT

B10 Earnings per Share

a) Basic Earnings per Share

Basic Earnings Per Share is calculated by dividing profit for the period attributable to owners of the Company by weighted average number of ordinary shares in issue during the period:-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31-Aug-16	31-Aug-15	31-Aug-16	31-Aug-15
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to owners of the Company	5,136	10,429	13,225	19,552
Weighted average number of ordinary share in issue ('000)	611,386	605,880	611,386	605,880
Basic earnings per RM0.20 share (sen)	0.84	1.72	2.16	3.23

b) Diluted Earnings per Share

The Diluted Earnings per Share is calculated by dividing the profit attributable to the owners of the Company on the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is the same as basic earnings per share for the current period as there is no potential dilutive effect of ordinary shares that would be issued upon exercise of warrants.



INTERIM FINANCIAL REPORT

B11 Share Buy Back

As at end of current quarter, a total of 841,924 ordinary shares of RM0.20 each were retained as treasury shares and treated in accordance with the requirement of Section 67A of the Companies Act 1965. The average price paid for the shares purchased was RM0.60 per share.

B12 Realized and Unrealized Profits / (Losses) Disclosure

	As at 31-Aug-16	As at 29-Feb-16
	RM'000	RM'000
Total unappropriated profits of Pantech and its subsidiaries:		
- Realized	356,171	350,964
- Unrealized	4,860	6,929
	361,031	357,893
Total share of unappropriated profits from associate company:		
- Realized	2,108	1,946
- Unrealized	107	(1)
	2,215	1,945
Total share of unappropriated profits from jointly controlled entity:		
- Realized	823	661
- Unrealized	-	(25)
	823	636
	364,069	360,474
Less: consolidation adjustments	(89,860)	(89,833)
Total Group unappropriated profits	274,209	270,641



INTERIM FINANCIAL REPORT

B13 Notes to the Condensed Consolidated Statement of Comprehensive Income

	Quarter Ended 31-Aug-16 RM'000	Financial Year Ended 31-Aug-16 RM'000
Interest income	228	435
Other income including investment income	175	319
Interest expense	(1,317)	(2,814)
Depreciation and amortization	(3,568)	(7,185)
Allowance for impairment and write off of receivables	(62)	1,234
Allowance for slow moving and write off of inventories	112	(92)
Gain/(loss) on disposal of quoted or unquoted investment or properties	-	-
Gain on disposal of property, plant and equipment	2	91
Fair value gain/(loss) on investment properties	-	-
Realised foreign exchange gain/(loss)	(489)	(2,280)
Unrealised foreign exchange gain/(loss)	140	362
Loss/(gain) on derivatives	(2)	(9)
Exceptional items	-	-

Date: 18th October 2016