



**INTERIM FINANCIAL REPORT**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE PERIOD ENDED 31 AUGUST 2018**

	Second Quarter		Cumulative Quarter	
	Current Year Quarter 31/08/2018 RM'000	Preceding Year Corresponding Quarter 31/08/2017 RM'000	Current Year To Date 31/08/2018 RM'000	Preceding Year Corresponding Period 31/08/2017 RM'000
<b>Revenue</b>	<b>148,061</b>	157,099	<b>326,446</b>	308,595
Operating Expenses	(132,973)	(141,093)	(294,920)	(276,787)
Other Operating Income	2,599	934	7,139	4,587
<b>Profit from Operations</b>	<b>17,687</b>	<b>16,940</b>	<b>38,665</b>	<b>36,395</b>
Finance Cost	(2,770)	(2,518)	(5,028)	(4,819)
Share of profit/(loss) in associate company	3	30	(54)	(81)
<b>Profit before taxation</b>	<b>14,920</b>	<b>14,452</b>	<b>33,583</b>	<b>31,495</b>
Taxation	(4,054)	(3,441)	(8,594)	(7,223)
<b>Profit for the period</b>	<b>10,866</b>	<b>11,011</b>	<b>24,989</b>	<b>24,272</b>
<b>Other comprehensive income net of tax</b>				
Foreign currency translation differences for foreign operation	(516)	142	(1,723)	523
Realisation of revaluation reserve upon depreciation of revalued asset	50	51	100	102
Transfer of revaluation reserve to unappropriated profit	(50)	(51)	(100)	(102)
Fair value loss on cash flow hedge	(314)	(131)	(460)	(2,012)
Total comprehensive income for the period	<b>10,036</b>	<b>11,022</b>	<b>22,806</b>	<b>22,783</b>
<b>Profit/(loss) for the period attributable to:</b>				
Owners of the Company	10,866	11,751	24,989	25,715
Non-controlling interest	-	(740)	-	(1,443)
	<b>10,866</b>	<b>11,011</b>	<b>24,989</b>	<b>24,272</b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>				
Owners of the Company	10,036	11,762	22,806	24,226
Non-controlling interest	-	(740)	-	(1,443)
	<b>10,036</b>	<b>11,022</b>	<b>22,806</b>	<b>22,783</b>
<b>Earnings per share</b>				
(a) Basic earnings per ordinary share (sen)	<b>1.46</b>	<b>1.59</b>	<b>3.37</b>	<b>3.48</b>
(b) Diluted earnings per ordinary share (sen)	<b>1.45</b>	<b>1.50</b>	<b>3.33</b>	<b>3.29</b>

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 28 February 2018 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 2018**

	31/08/2018 Unaudited	28/02/2018 Audited
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant And Equipment	216,661	221,404
Prepaid Land Lease Payments	32,843	33,134
Capital Work-in-progress	4,258	3,815
Investment Properties	6,600	6,600
Investment In An Associate Company	2,009	2,063
Derivatives Financial Instruments	-	625
Goodwill on Acquisition	1,198	1,198
Deferred Tax Assets	1,623	1,851
	<u>265,192</u>	<u>270,690</u>
<b>Current Assets</b>		
Inventories	325,885	276,094
Trade and Other Receivables	185,840	166,484
Amount Due from An Associate Company	14,242	6,658
Derivatives Financial Instruments	790	627
Fixed Deposits with Licensed Banks	2,511	2,477
Cash and Bank Balances	89,767	67,746
	<u>619,035</u>	<u>520,086</u>
<b>TOTAL ASSETS</b>	<u><b>884,227</b></u>	<u><b>790,776</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share Capital	208,202	207,544
Treasury Shares	(3,130)	(811)
Revaluation Reserve	12,233	12,333
Warrants Reserve	14,749	14,749
Other Reserves	10,981	12,770
Unappropriated Profit	328,239	306,869
<b>Equity attributable to owners of the Parent</b>	<u>571,274</u>	<u>553,454</u>
Non-Controlling Interest	-	-
<b>Total Equity</b>	<u><b>571,274</b></u>	<u><b>553,454</b></u>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Long Term Borrowings	33,581	41,351
Other Payables	262	260
Derivative Financial Instruments	62	55
Deferred Tax Liabilities	5,144	5,157
	<u>39,049</u>	<u>46,823</u>
<b>Current Liabilities</b>		
Trade and Other Payables	70,988	46,802
Overdraft and Short Term Borrowings	195,612	135,220
Amount Due to An Associate Company	238	216
Derivative Financial Instruments	65	48
Tax Payable	7,001	4,490
Dividend Payable	-	3,723
	<u>273,904</u>	<u>190,499</u>
<b>Total Liabilities</b>	<u><b>312,953</b></u>	<u><b>237,322</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>884,227</b></u>	<u><b>790,776</b></u>
<b>NET ASSETS PER SHARE (RM)</b>	<b>0.77</b>	<b>0.74</b>

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 28 February 2018 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 2018

	<b>GROUP</b> <b>31/08/2018</b> <b>RM'000</b>	<b>GROUP</b> <b>31/08/2017</b> <b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	33,583	31,495
Adjustments for:		
Allowance for/(reversal of) impairment of receivables (net)	(1,374)	(557)
Allowance for slow moving inventories (net)	815	354
Amortisation of prepaid land lease payments	291	291
Depreciation of property, plant and equipment	8,178	8,046
Interest expense	4,381	4,163
Bad debts written off	10	368
Interest income	(523)	(591)
Gain on disposal of property, plant and equipment	(115)	(360)
Loss/(gain) on fair value of derivatives financial instruments	26	(10)
Unrealised exchange gain on foreign exchange	(1,116)	(110)
Other non-cash items	601	985
<b>Operating profit before changes in working capital</b>	<b>44,757</b>	<b>44,074</b>
Changes in working capital:-		
Inventories	(50,606)	(24,485)
Receivables	(17,617)	(10,354)
Payables	25,028	(29,161)
Associate company	(7,562)	(323)
<b>Cash generated used in operations</b>	<b>(6,000)</b>	<b>(20,249)</b>
Tax paid (net)	(5,902)	(2,609)
<b>Net cash used in operating activities</b>	<b>(11,902)</b>	<b>(22,858)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	523	587
Purchase of property, plant and equipment	(3,389)	(3,556)
Proceeds from disposal of property, plant and equipment	115	379
Capital work-in-progress incurred	(443)	(2,688)
<b>Net cash used in investing activities</b>	<b>(3,194)</b>	<b>(5,278)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(7,442)	(5,922)
Proceeds from issuance of share capital	529	1,431
Purchase of treasury shares	(2,319)	(257)
Interest paid	(4,435)	(4,568)
Proceeds from short-term borrowings	61,861	50,063
Drawdown of borrowings	-	4,469
Repayment of borrowings	(9,749)	(11,512)
<b>Net cash generated from financing activities</b>	<b>38,445</b>	<b>33,704</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>23,349</b>	<b>5,568</b>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<b>(1,294)</b>	<b>550</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>70,223</b>	<b>91,592</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>92,278</b>	<b>97,710</b>

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 28 February 2018 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 2018**

Attributable to Owners of the Company

Non-Distributable

Distributable

	Share Capital RM'000	Treasury Shares 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
<b>Balance as at 1 March 2017</b>	203,929	(554)	14,869	12,634	961	10,038	4,520	278,004	524,401	8,463	532,864
<b>Transactions with owners:</b>											
Issuance of shares pursuant to exercise of ESOS	1,746	-	-	-	(315)	-	-	-	1,431	-	1,431
Issuance of shares pursuant to exercise of Warrants	25	-	(25)	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	(257)	-	-	-	-	-	-	(257)	-	(257)
Share options granted under ESOS	-	-	-	-	904	-	-	-	904	-	904
Final dividend paid to Shareholders	-	-	-	-	-	-	-	(3,706)	(3,706)	-	(3,706)
First interim dividend paid to Shareholders	-	-	-	-	-	-	-	(7,417)	(7,417)	-	(7,417)
<b>Total transactions with owners</b>	<b>1,771</b>	<b>(257)</b>	<b>(25)</b>	<b>-</b>	<b>589</b>	<b>-</b>	<b>-</b>	<b>(11,123)</b>	<b>(9,045)</b>	<b>-</b>	<b>(9,045)</b>
Profit for the period	-	-	-	-	-	-	-	25,715	25,715	(1,443)	24,272
Other comprehensive income for the period	-	-	-	(102)	-	523	(2,012)	102	(1,489)	-	(1,489)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(102)</b>	<b>-</b>	<b>523</b>	<b>(2,012)</b>	<b>25,817</b>	<b>24,226</b>	<b>(1,443)</b>	<b>22,783</b>
<b>Balance as at 31 August 2017</b>	<b>205,700</b>	<b>(811)</b>	<b>14,844</b>	<b>12,532</b>	<b>1,550</b>	<b>10,561</b>	<b>2,508</b>	<b>292,698</b>	<b>539,582</b>	<b>7,020</b>	<b>546,602</b>

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 28 February 2018 and the accompanying explanatory notes attached to the interim financial reports

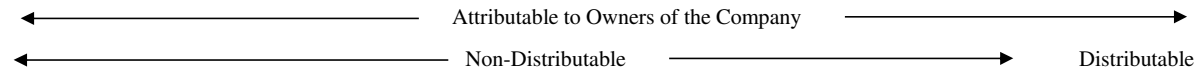


**PANTECH GROUP HOLDINGS BERHAD**

Company No. 733607 W  
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 AUGUST 2018 (continued)**



	Share Capital RM'000	Treasury Shares 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
<b>Balance as at 1 March 2018</b>	207,544	(811)	14,749	12,333	2,080	9,546	1,144	306,869	553,454	-	553,454
<b>Transactions with owners:</b>											
Issuance of shares pursuant to exercise of ESOS	658	-	-	-	(129)	-	-	-	529	-	529
Acquisition of treasury shares	-	(2,319)	-	-	-	-	-	-	(2,319)	-	(2,319)
Share options granted under ESOS	-	-	-	-	523	-	-	-	523	-	523
Final dividend paid to Shareholders	-	-	-	-	-	-	-	(3,719)	(3,719)	-	(3,719)
<b>Total transactions with owners</b>	<b>658</b>	<b>(2,319)</b>	<b>-</b>	<b>-</b>	<b>394</b>	<b>-</b>	<b>-</b>	<b>(3,719)</b>	<b>(4,986)</b>	<b>-</b>	<b>(4,986)</b>
Profit for the period	-	-	-	-	-	-	-	24,989	24,989	-	24,989
Other comprehensive income for the period	-	-	-	(100)	-	(1,723)	(460)	100	(2,183)	-	(2,183)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100)</b>	<b>-</b>	<b>(1,723)</b>	<b>(460)</b>	<b>25,089</b>	<b>22,806</b>	<b>-</b>	<b>22,806</b>
<b>Balance as at 31 August 2018</b>	<b>208,202</b>	<b>(3,130)</b>	<b>14,749</b>	<b>12,233</b>	<b>2,474</b>	<b>7,823</b>	<b>684</b>	<b>328,239</b>	<b>571,274</b>	<b>-</b>	<b>571,274</b>

*The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 28 February 2018 and the accompanying explanatory notes attached to the interim financial reports*



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## **INTERIM FINANCIAL REPORT**

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### **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 28 February 2018. 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 28 February 2018.

#### **A2 Summary of Significant Accounting Policies**

##### **(a) Adoption of 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 28 February 2018, 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 2018.

- Amendments to MFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions
- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 140 Investment Property: Transfer of Investment Property

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 2, MFRS 9 and MFRS 15. The Group is currently assessing the financial impact or potential effect of MFRS 2, MFRS 9 and MFRS 15.



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## INTERIM FINANCIAL REPORT

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### A2 Summary of Significant Accounting Policies (continued)

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

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

##### MFRS and Amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16 Leases
- Amendments to MFRS 9 – Prepayment Features with Negative Compensation
- Amendments to MFRS 119 – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 128 – Long-term Interests in Associates and Joint Ventures
- Annual Improvements to MFRSs 2015 – 2017 Cycle
  - (a) Amendments to MFRS 3 – Business Combinations
  - (b) Amendments to MFRS 11 – Joint Arrangements
  - (c) Amendments to MFRS 112 – Income Taxes
  - (d) Amendments to MFRS 123 – Borrowing Costs
- IC Interpretation 23 – Uncertainty over Income Tax Treatment

##### MFRS and Amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 2 – Share Based Payment
- Amendments to MFRS 3 – Business Combinations
- Amendments to MFRS 14 – Regulatory Deferral Accounts
- Amendments to MFRS 101 – Presentation of Financial Statements
- Amendments to MFRS 108 – Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 134 – Interim Financial Reporting
- Amendments to MFRS 137 – Provisions, Contingent Liabilities and Contingent Assets

##### MFRS and Amendments effective for a 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

### A3 Audit Report of Preceding Annual Financial Statement

The audited financial statements of the Company and its subsidiary companies for the financial year ended 28 February 2018 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.



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## INTERIM FINANCIAL REPORT

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**A5 Significant Matters, Unusual Items or Transactions due to Their Nature, Size or Incidence**

There were no significant matters, unusual items or transactions 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.

**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 4,445,200 ordinary share or 0.59% of its issued share capital from the open market at the average price paid of RM0.52 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 127 of the Companies Act, 2016.

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 741,834,100 ordinary shares.

b) Employees' Share Option Scheme ("ESOS")

During the current financial year-to-date under review, 1,276,500 number of ordinary shares were issued under the Company's ESOS.





## INTERIM FINANCIAL REPORT

### A8 Dividend Paid

	<b>Current Year To-date RM'000</b>	<b>Preceding Year Corresponding Period RM'000</b>
<b>Final dividend in respect of financial year ended 28 February 2018, paid on 20 August 2018</b> Single tier dividend of 0.50 sen per ordinary share	<b>3,719</b>	
<b>Third interim dividend in respect of financial year ended 28 February 2018, paid on 20 April 2018</b> Single tier dividend of 0.50 sen per ordinary share	<b>3,723</b>	
<b>Final dividend in respect of financial year ended 28 February 2017, paid on 24 August 2017</b> Single tier dividend of 0.50 sen per ordinary share		3,706
<b>Third interim dividend in respect of financial year ended 28 February 2017, paid on 12 April 2017</b> Single tier dividend of 0.30 sen per ordinary share		2,216
	<b>7,442</b>	<b>5,922</b>

### A9 Segment Information

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

	<b>Trading of PVF products RM'000</b>	<b>Manufacturing of pipes &amp; pipe fittings, galvanising RM'000</b>	<b>Investment and Management RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>Period Ended 31 August 2018</b>					
<b>Revenue</b>					
External Revenue	198,753	127,693	-	-	326,446
Intersegment revenue	17,017	28,716	11,685	(57,418)	-
<b>Total revenue</b>	<b>215,770</b>	<b>156,409</b>	<b>11,685</b>	<b>(57,418)</b>	<b>326,446</b>
<b>Segment Profit</b>	<b>27,909</b>	<b>10,951</b>	<b>9,753</b>	<b>(10,471)</b>	<b>38,142</b>
Interest income					523
Finance costs					(5,028)
Share of loss in associate					(54)
<b>Profit before tax</b>					<b>33,583</b>



## 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, galvanising, investments and management.

	Trading of PVF products RM'000	Manufacturing of pipes & pipe fittings, galvanising RM'000	Investment and Management RM'000	Elimination RM'000	Total RM'000
<b>Period Ended 31 August 2017</b>					
<b>Revenue</b>					
External Revenue	177,328	131,267	-	-	308,595
Intersegment revenue	18,241	25,687	9,897	(53,825)	-
Total revenue	195,569	156,954	9,897	(53,825)	308,595
<b>Segment Profit</b>	24,992	11,528	7,444	(8,160)	35,804
Interest income					591
Finance costs					(4,819)
Share of loss in associate					(81)
Profit before tax					31,495

\* PVF: Represents pipes, valves and fittings.

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	361,438	334,279
Generated by overseas operation	22,426	28,141
	383,864	362,420
Inter-segments elimination	(57,418)	(53,825)
	326,446	308,595

### 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 28 February 2018.



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## INTERIM FINANCIAL REPORT

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**A11 Material Events Subsequent to the End of the Interim Period**

There were no significant 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:-

	<b>31 August 2018</b>
	<b>RM'000</b>
Corporate guarantees	<u>740,276</u> *

\* Represents the total limit of Pantech's corporate guarantee

**A14 Capital Commitments**

Authorised capital commitments not provided for in the interim financial statements as at 31 August 2018 are as follows:

	<b>31 August 2018</b>
	<b>RM'000</b>
Approved and contracted for	<u>28,336</u>



## INTERIM FINANCIAL REPORT

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

#### B1 Review of Performance

Business Segment	Revenue Current Quarter		Revenue 6 months to	
	31-Aug-18	31-Aug-17	31-Aug-18	31-Aug-17
	RM'000	RM'000	RM'000	RM'000
Trading	95,605	84,094	198,753	177,328
Manufacturing	52,456	73,005	127,693	131,267
Investment and Management	-	-	-	-
Consolidated Total	148,061	157,099	326,446	308,595

Business Segment	Profit Before Taxation Current Quarter		Profit Before Taxation 6 months to	
	31-Aug-18	31-Aug-17	31-Aug-18	31-Aug-17
	RM'000	RM'000	RM'000	RM'000
Trading	12,584	10,958	25,616	23,786
Manufacturing	3,458	4,876	10,038	10,375
Investment and Management	(1,122)	(1,382)	(2,071)	(2,666)
Consolidated Total	14,920	14,452	33,583	31,495

#### Trading Division

For the current quarter ended 31 August 2018, the trading division recorded higher external revenue of RM95.61 million (Q2FY18: RM84.09 million) and higher segment profit before tax of RM12.58 million (Q2FY18: RM10.96 million), an increase of approximately RM11.51 million (13.69%) and RM1.63 million (14.84%) respectively.

For the 6 months ended 31 August 2018, the trading division recorded higher external revenue of RM198.75 million (6 months FY18: RM177.33 million) and higher profit before tax of RM25.62 million (6 months FY18: RM23.79 million), an increase of approximately RM21.43 million (12.08%) and RM1.83 million (7.69%) respectively.

The higher revenue and segment profit before tax for the current quarter and the 6 months ended 31 August 2018 was mainly due to the increased in sales demand and delivery in local oil and gas projects.



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## **INTERIM FINANCIAL REPORT**

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### **B1 Review of Performance (continued)**

#### **Manufacturing Division**

For the current quarter ended 31 August 2018, the manufacturing division recorded lower external revenue of RM52.46 million (Q2FY18: RM73.01 million) and a lower segment profit before tax of RM3.46 million (Q2FY18: RM4.88 million), a decrease of approximately RM20.55 million (28.15%) and RM1.42 million (29.08%) respectively.

For the 6 months ended 31 August 2018, the manufacturing division recorded lower external revenue of RM127.69 million (6 months FY18: RM131.27 million) and lower profit before tax of RM10.04 million (6 months FY18: RM10.38 million), a decrease of approximately RM3.57 million (2.72%) and RM0.34 million (3.25%) respectively.

The lower revenue and segment profit after tax for the current quarter and the 6 months ended 31 August 2018 was mainly due to the lower sales contribution from carbon steel manufacturing plant due to the suspension on shipments to United States arising from the preliminary affirmative anti-circumvention determination on Malaysia which are still pending for further development.

#### **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 2018, the Group registered lower revenue of RM148.06 million (Q2FY17: RM157.10 million) and higher profit before tax ("PBT") of RM14.92 million (Q2FY18: RM14.45 million).

The lower revenue for the current quarter was mainly due to lower sales contribution from manufacturing division. However, the better performance from trading division has contributed to the overall increase in PBT for the current quarter.

For the 6 months ended 31 August 2018, the Group registered higher revenue of RM326.45 million (6 months FY18: RM308.60 million) and a higher profit before tax of RM33.58 million (6 months FY18: RM31.50 million).

The better Group performance was mainly due to the increase in sales demand from trading division despite lower sales contribution from carbon steel manufacturing.

### **B2 Variation of Results against Preceding Quarter**

In the current quarter under review, the Group reported lower revenue of RM148.06 million compared to the preceding quarter of RM178.39 million and a lower profit after taxation ("PAT") of RM10.87 million compared to preceding quarter of RM14.12 million which was mainly due to the lower sales contribution from local manufacturing division.



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## INTERIM FINANCIAL REPORT

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### B3 Prospects

The Group remains cautiously optimistic on the development in the oil and gas industries with the current oil price above USD70/barrel. The Group will prudently continue to focus and expand on its existing revenue generating businesses and seek opportunities to grow its businesses, both local and overseas, by expanding its capacity as the major pipes, valves and fittings solutions provider to the oil and gas industries, related upstream and downstream industries.

The trade tensions around the world is turning open trade into a protectionist one and this in turn, is posing major challenges to our export business and currently the carbon steel manufacturing plant has suspended its export shipment to USA.

Notwithstanding the above, the Group see the opportunities to secure more orders from the increased activities in upstream oil and gas activities in Malaysia and Southeast Asia.

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

### 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-18 RM'000	Preceding Year Corresponding Quarter 31-Aug-17 RM'000	Current Year To Date 31-Aug-18 RM'000	Preceding Year Corresponding Period 31-Aug-17 RM'000
Current taxation	3,750	3,374	8,380	7,165
Over provision of taxation in prior year	-	-	(16)	(83)
Transferred from deferred tax assets	319	82	260	171
Crystallization of deferred taxation upon depreciation of revalued assets	(15)	(15)	(30)	(30)
	<b>4,054</b>	3,441	<b>8,594</b>	7,223



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### **B5 Taxation (continued)**

Tax expense for the current quarter and financial year-to-date ended 31 August 2018 is derived based on 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 higher than the statutory rate which mainly due to certain expenses that are not deductible for tax purposes.

### **B6 Status of Corporate Proposals**

There are no corporate proposals announced but not completed as at the date of this quarterly report.

### **B7 Group Borrowings and Debt Securities**

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

	<b>Current RM'000</b>	<b>Non-current RM'000</b>
<u>Unsecured:-</u>		
- Term loans	13,277	27,408
- Hire purchase	2,243	6,173
- Bankers' acceptances, trust receipts and other short term loan	148,271	-
- Foreign currency loan	31,821	-
	<u>195,612</u>	<u>33,581</u>

Foreign currency borrowings included above:

	<b>Foreign Currency '000</b>	<b>RM Equivalent '000</b>
US Dollar	7,441	30,447
SGD Dollar	59	176
GBP Pound	261	1,374

### **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.



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### B9 Dividends

The Board of Directors has approved and declared a first interim single tier dividend of 0.50 sen per ordinary shares in respect of the financial year ending 28 February 2019 (Preceding year corresponding quarter: 0.50 sen). The first interim dividend will be paid on 18 January 2019 to shareholders whose name appear on the Company's Record of Depositors on 31 December 2018.

The total dividend per share for the current financial year is 0.50 sen single tier dividend per ordinary share (Preceding year corresponding period: 1.50 sen).

### 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-18 RM'000	31-Aug-17 RM'000	31-Aug-18 RM'000	31-Aug-17 RM'000
Net profit attributable to owners of the Company	10,866	11,751	24,989	25,715
Weighted average number of ordinary share in issue ('000)	742,531	739,785	742,531	739,785
<b>Basic earnings per ordinary share (sen)</b>	<b>1.46</b>	<b>1.59</b>	<b>3.37</b>	<b>3.48</b>

#### 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 which has been adjusted for the dilutive effect of ordinary shares that would be issued upon conversion of all outstanding warrants and ESOS.





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**B10 Earnings per Share (continued)**

**b) Diluted Earnings per Share (continued)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter <b>31-Aug-18</b> RM'000	Preceding Year Corresponding Quarter 31-Aug-17 RM'000	Current Year To Date <b>31-Aug-18</b> RM'000	Preceding Year Corresponding Period 31-Aug-17 RM'000
<b>Net profit attributable to owners of the Company:</b>	<b>10,866</b>	11,751	<b>24,989</b>	25,715
<b>Adjusted weighted average number of shares ('000):</b>				
Weighted average number of ordinary share in issue ('000)	<b>742,531</b>	739,785	<b>742,531</b>	739,785
Adjustment for dilutive effect on exercise of Warrants ('000)	<b>570</b>	33,407	<b>570</b>	33,407
Adjustment for dilutive effect on exercise of ESOS options ('000)	<b>6,696</b>	8,686	<b>6,696</b>	8,686
	<b>749,797</b>	781,878	<b>749,797</b>	781,878
<b>Diluted earnings per ordinary share (sen)</b>	<b>1.45</b>	1.50	<b>3.33</b>	3.29

**B11 Share Buy Back**

As at end of current quarter, a total of 5,837,124 ordinary shares were retained as treasury shares and treated in accordance with the requirement of Section 127 of the Companies Act, 2016. The average price paid for the shares purchased was RM0.54 per share.



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### B12 Derivative Financial Instruments

	As at 31-Aug-18		
	Contract/ Notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
Hedging derivatives:-			
Cash flow hedges			
- Cross Currency Swap	8,757	790	127
		<b>RM'000</b>	<b>RM'000</b>
<u>Analysed as:-</u>			
Within 1 year		790	65
More than 1 year but less than 5 years		-	62
		<u>790</u>	<u>127</u>

The Group held cross currency swap contracts designated as hedges of cash flow currency risk for certain borrowings. The terms of the cross currency swap contracts have been negotiated to match the terms of the borrowings.

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 28 February 2018:

- (a) the credit risk, market risk and liquidity risk associated with these financial derivatives;
- (b) the cash requirements of the financial derivatives;
- (c) the policy in place for mitigating or controlling the risks associated with these financial derivatives; and
- (d) the related accounting policies.

The cash flow hedges of the borrowings were assessed to be highly effective and a net unrealized loss of approximately RM460,000 relating to the hedging instruments are included in other comprehensive income. None was reclassified from equity to profit or loss during the current financial year.



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**B13 Notes to the Condensed Consolidated Statement of Comprehensive Income**

	<b>Quarter Ended 31-Aug-18 RM'000</b>	<b>Financial Year Ended 31-Aug-18 RM'000</b>
Interest income	290	523
Other income including investment income	273	882
Interest expense	(2,429)	(4,381)
Depreciation and amortization	(4,233)	(8,469)
Allowance for impairment and write off of receivables	1,671	1,364
Allowance for slow moving and write off of inventories	(521)	(815)
Gain/(loss) on disposal of quoted or unquoted investment or properties	-	-
Gain on disposal of property, plant and equipment	48	115
Impairment of assets	-	-
Realised foreign exchange gain/(loss)	2,108	1,541
Unrealised foreign exchange gain/(loss)	(904)	1,116
Gain/(loss) on derivatives	(30)	(26)
Exceptional items	-	-

**Date: 24<sup>th</sup> October 2018**