

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2019

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2019

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Revenue	345,916	393,101	1,487,942	1,542,320
Cost of sales	(291,022)	(335,613)	(1,235,442)	(1,300,975)
Gross profit	54,894	57,488	252,500	241,345
Operating expenses	(16,786)	(20,561)	(64,769)	(70,755)
Other operating income	384	18,863	1,066	37,545
Profit from operation	38,492	55,790	188,797	208,135
Interest income	2,775	93	4,237	2,044
Finance costs	(373)	(831)	(3,242)	(3,209)
Profit before taxation	40,894	55,052	189,792	206,970
Taxation	(5,210)	(6,951)	(29,773)	(34,527)
Profit for the period	35,684	48,101	160,019	172,443
Profit attributable to:				
Owners of the Company	30,058	39,037	128,328	142,464
Non-controlling interests	5,626	9,064	31,691	29,979
Profit for the period	35,684	48,101	160,019	172,443
Earnings per ordinary share (sen): -				
(a) Basic	15.82	20.55	67.53	74.99
(b) Fully diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2018.

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2019 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year-	Preceding Year
	Quarter	Corresponding	To-Date	Corresponding
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period	35,684	48,101	160,019	172,443
Foreign currency translation differences for foreign operations	(2,294)	1,080	(1,566)	(16,611)
Cash flow hedge	585	(8,774)	4,494	(6,336)
Total comprehensive income for the period	33,975	40,407	162,947	149,496
Total comprehensive income attributable to:				
Owners of the Company	28,226	33,523	130,345	120,953
Non-controlling interests	5,749	6,884	32,602	28,543
Total comprehensive income for the period	33,975	40,407	162,947	149,496

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2018.

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/06/2019 RM'000	30/06/2018 RM'000
Property, plant and equipment	663,977	646,693
Investment properties	30,639	31,569
Investments	46	46
Total non-current assets	694,662	678,308
Inventories	105,432	118,078
Trade and other receivables, including derivatives	190,536	248,865
Tax Recoverable	4,364	2,988
Deposits, cash and bank balances	713,386	647,621
Total current assets	1,013,718	1,017,552
TOTAL ASSETS	1,708,380	1,695,860
Equity attributable to owners of the Company		
Share capital	352,373	352,373
Reserves	1,080,654	998,989
Treasury shares	(163,816)	(163,816)
	1,269,211	1,187,546
Non-controlling interests	230,021	217,383
TOTAL EQUITY	1,499,232	1,404,929
Deferred tax liabilities	2,082	30
Employee benefits	-	245
Total non-current liabilities	2,082	275
Trade and other payables, including derivatives	194,298	210,558
Borrowings (unsecured)	-	75,030
Current tax liabilities	12,768	5,068
Total current liabilities	207,066	290,656
TOTAL LIABILITIES	209,148	290,931
TOTAL EQUITY AND LIABILITIES	1,708,380	1,695,860
Net assets per share attributable to owners of the Company (RM)	6.68	6.25

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2018.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

	Attributable to owners of the Company							Retained earnings	Total	Non-controlling interests	Total equity
	Share capital	Other reserve	Hedging reserve	Exchange fluctuation reserve	Reserve for own shares	Executive share scheme Reserve	Treasury shares				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year-to-date ended 30 June 2019											
At 1 July 2018	352,373	24,567	(3,723)	76,991	(53,043)	3,127	(163,816)	951,070	1,187,546	217,383	1,404,929
Profit for the period	-	-	-	-	-	-	-	128,328	128,328	31,691	160,019
Other comprehensive income/(expense)											
-foreign currency translation differences	-	-	-	(1,566)	-	-	-	-	(1,566)	-	(1,566)
-cash flow hedge	-	-	3,583	-	-	-	-	-	3,583	911	4,494
Total comprehensive income/(expense) for the period	-	-	3,583	(1,566)	-	-	-	128,328	130,345	32,602	162,947
Dividend	-	-	-	-	-	-	-	(51,309)	(51,309)	(21,000)	(72,309)
Share-based payment	-	-	-	-	-	2,629	-	-	2,629	1,036	3,665
ESS shares exercised	-	-	-	-	272	(371)	-	99	-	-	-
Total transaction with owners of the Company	-	-	-	-	272	2,258	-	(51,210)	(48,680)	(19,964)	(68,644)
Transfer to capital reserve	-	5,475	-	-	-	-	-	(5,475)	-	-	-
At 30 June 2019	352,373	30,042	(140)	75,425	(52,771)	5,385	(163,816)	1,022,713	1,269,211	230,021	1,499,232

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019 (cont'd)

	← Attributable to owners of the Company →										
	← Non-distributable →							Distributable			
	Share capital	Other reserve	Hedging reserve	Exchange fluctuation reserve	Reserve for own shares	Executive share scheme Reserve	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Preceding year corresponding period ended 30 June 2018											
At 1 July 2017	352,373	19,256	1,177	93,602	(53,833)	1,987	(163,816)	869,246	1,119,992	208,965	1,328,957
Profit for the period	-	-	-	-	-	-	-	142,464	142,464	29,979	172,443
Other comprehensive income/(expense)								-	-	-	-
-foreign currency translation differences	-	-	-	(16,611)	-	-	-	-	(16,611)	-	(16,611)
-cash flow hedge	-	-	(4,900)	-	-	-	-	-	(4,900)	(1,436)	(6,336)
Total comprehensive income/(expense) for the period	-	-	(4,900)	(16,611)	-	-	-	142,464	120,953	28,543	149,496
Dividend	-	-	-	-	-	-	-	(55,104)	(55,104)	(21,000)	(76,104)
Share-based payment	-	-	-	-	-	1,243	-	-	1,243	875	2,118
ESS trust shares exercised	-	-	-	-	790	(103)	-	(225)	462	-	462
Total transaction with owners of the Company	-	-	-	-	790	1,140	-	(55,329)	(53,399)	(20,125)	(73,524)
Transfer to capital reserve	-	5,311	-	-	-	-	-	(5,311)	-	-	-
At 30 June 2018	352,373	24,567	(3,723)	76,991	(53,043)	3,127	(163,816)	951,070	1,187,546	217,383	1,404,929

Dividends received by the trust set up for the Executive Share Scheme ("ESS") ("ESS Trust") amounted to RM2,393,000 (2017/2018: RM2,576,000) are eliminated against the dividend expense of the Company following the consolidation of ESS Trust.

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2018.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2019

	Current Year- To-Date	Preceding Year Corresponding Period
	30/06/2019 RM'000	30/06/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	189,792	206,970
Adjustments for:-		
Depreciation and amortisation	173,919	181,850
Dividend income	(17,119)	(14,848)
Non-cash items	(4,524)	(13,472)
Net financing (income)/cost	(995)	1,165
Operating profit before changes in working capital	341,073	361,665
Changes in working capital		
Net change in current assets	78,860	13,132
Net change in current liabilities	(11,210)	15,841
Taxation paid	(22,580)	(29,985)
Retirement benefits paid	(240)	-
Net financing income received/cost (paid)	995	(1,165)
Dividend received	17,119	14,848
Net cash generated from operating activities	404,017	374,336
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(194,578)	(170,730)
Proceeds from disposal of property, plant and equipment	405	731
Net cash used in investing activities	(194,173)	(169,999)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(51,309)	(55,104)
Dividend paid to non-controlling shareholder of a subsidiary company	(21,000)	(21,000)
Drawdown from borrowings	12,088	53,066
Repayments of borrowings	(86,086)	(65,270)
Proceeds from ESS shares exercised	-	462
Net cash used in financing activities	(146,307)	(87,846)
NET CHANGE IN CASH AND CASH EQUIVALENTS	63,537	116,491
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	647,621	535,793
EFFECT OF EXCHANGE RATE FLUCTUATION ON CASH HELD	2,228	(4,663)
CASH & CASH EQUIVALENTS AT END OF PERIOD	713,386	647,621

Cash and cash equivalents included in the consolidated statements of cash flows comprise the following consolidated statements of financial position amounts:

	30/06/2019 RM'000	30/06/2018 RM'000
Deposits, cash and bank balances	713,386	647,621

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2018.

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1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2018. This interim financial report also complies with International Accounting Standards 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The accounting policies and presentation adopted for this interim report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2018 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018 which are applicable to the Group including MFRS 15 Revenue from Contracts with Customers. The initial adoption of these applicable MFRSs, amendments and interpretations do not have any material impact on the financial statements of the Group.

2. Qualification of audit report of the preceding annual financial statements

The audit report for the preceding annual financial statements was not qualified.

3. Seasonality or cyclicity of interim operations

There has been no material seasonal or cyclical factor affecting the results of the quarter under review.

4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence

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

5. Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years

There were no changes in estimates of amounts reported in the prior financial years.

6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

(a) There were no additional shares bought back during the quarter under review and financial year-to-date. The total number of shares bought back as at 30 June 2019 was 10,988,000 shares and the shares are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016.

(b) There were no additional shares purchased by the ESS Trust during the quarter under review and financial year-to-date.

During the financial year-to-date, a total of 50,000 existing ordinary shares in the Company (“MPI Shares”) held in the ESS Trust were transferred to an eligible executive arising from the vesting of MPI Shares free of consideration pursuant to the Executive Share Scheme. (“ESS”).

As at 30 June 2019, the total number of shares held by the ESS Trust was 8,840,000 shares.

There were no issuance of shares, shares cancellation, resale of treasury shares or repayment of debt or equity securities during the quarter under review and financial year-to-date.

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7. Dividend paid

The Company has paid the following dividend during the current financial year to-date:-

	Current year-to-date RM'000
First interim single tier dividend of 10.0 sen per share, paid on 12 December 2018	19,890
Second interim single tier dividend of 17.0 sen per share, paid on 27 June 2019	33,812
	<u>53,702</u>

8. Operating Segments

The Group's segmental report for the financial year-to-date is as follows:-

	Asia RM'000	United States of America ("USA") RM'000	Europe RM'000	Total RM'000
Segment profit	111,680	28,050	42,582	182,312
Included in the measure of segment profit are:				
Revenue from external customers	904,314	224,462	351,721	1,480,497
Depreciation and amortisation	113,561	24,630	35,594	173,785
Reconciliation of segment profit				
Profit				RM'000
Reportable segments				182,312
Non-reportable segments				6,485
Interest income				4,237
Finance costs				(3,242)
Consolidated profit before taxation				<u>189,792</u>
			External revenue RM'000	Depreciation and amortisation RM'000
Reportable segments			1,480,497	173,785
Non-reportable segments			7,445	134
Total			<u>1,487,942</u>	<u>173,919</u>

9. Material events not reflected in the financial statements

There are no material subsequent events to be disclosed as at the date of this report.

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

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11. Review of performance

For the quarter under review, the Group recorded revenue of RM345.9 million and profit before taxation (“PBT”) of RM40.9 million as compared with revenue and PBT of RM393.1 million and RM55.1 million respectively for the corresponding quarter of the preceding year ended 30 June 2018 (“FY2018”). Revenue for the Asia, USA and Europe segments were lower by 6%, 26% and 17% respectively against the corresponding quarter of FY2018.

The Group’s revenue for the financial year-to-date was RM1,487.9 million as compared with revenue of RM1,542.3 million for the preceding year’s corresponding period. Revenue for the Asia segment was higher by 2% while the USA and Europe segments were both lower by 20% and 4% respectively against the preceding year’s corresponding period. PBT for the financial year-to-date closed at RM189.8 million against RM207.0 million for the corresponding period of the preceding year.

The lower PBT for the quarter against the corresponding quarter was mainly due to lower revenue.

The lower PBT for the financial year-to-date against last year was attributable to lower revenue due to the trade tension between USA and China coupled with unfavourable foreign exchange. However, this was partially offset by cost reduction arising from effective cost control.

12. Material changes in profit before taxation against the immediate preceding quarter

The Group’s revenue for the quarter under review was RM345.9 million against the preceding quarter of RM330.1 million. Revenue for the Asia and USA segments were both higher by 11% and 6% respectively while the Europe segment was lower by 10% against the preceding quarter.

For the quarter under review, the Group recorded PBT of RM40.9 million as compared with RM25.5 million for the preceding quarter. The higher PBT for the quarter under review was primarily due to improved revenue and lower operating cost.

13. Prospects

For the financial year ending 30 June 2020, the Board anticipates the market to remain challenging due to uncertainties in the global economy. The management will continue to improve the Group’s operational efficiencies with more automation and digitalisation and enhance product development to strengthen the Group’s position in the chosen sectors.

14. Profit forecast / profit guaranteed

This note is not applicable.

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15. Profit before taxation

	Current Year Quarter	Current Year- to-date
Profit before taxation is arrived at after charging/(crediting):-	30/06/2019 RM'000	30/06/2019 RM'000
Gross dividend income from short term investments	(4,426)	(17,119)
Depreciation and amortization	44,052	173,919
Reversal of impairment loss on trade receivables	(308)	(37)
Loss on foreign exchange	2,559	16,782
Fair value (gain)/loss on derivatives	(1,081)	90
Share-based payments	907	3,665
Provision for and write off of inventories	2,834	8,362
Impairment of property, plant and equipment	-	-
Gain on disposal of quoted /unquoted investments or properties	-	-

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Current taxation				
Malaysian				
- current year	2,465	2,976	13,508	18,500
- prior years	-	-	(77)	69
	2,465	2,976	13,431	18,569
Overseas				
- current year	2,245	5,389	15,557	17,541
- prior years	-	(1,414)	(49)	(1,383)
	2,245	3,975	15,508	16,158
Deferred taxation				
- current year	500	-	834	(200)
	500	-	834	(200)
	5,210	6,951	29,773	34,527

The Group's effective tax rate for the quarter under review is lower than statutory tax rate mainly due to tax incentive granted to subsidiaries of the Company.

17. Corporate proposals

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

18. Group's borrowings and debt securities

There were no borrowings outstanding as at 30 June 2019.

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19. Changes in material litigation

There are no material litigations as at the date of this report.

20. Dividend

- (a) The Board does not recommend any final dividend for the financial year ended 30 June 2019 (2017/2018: nil).
- (b) For the financial year-to-date, a total single tier dividend of 27.0 sen per share (2017/2018: single tier dividend of 29.0 sen per share) has been declared.

21. Earnings per ordinary share

(a) Basic earnings per ordinary share

The basic earnings per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company of RM30,058,000 (4th quarter 2017/2018: RM39,037,000) by the weighted average number of ordinary shares during the quarter of 190,056,419 (4th quarter 2017/2018: 190,006,419).

The basic earnings per ordinary share for financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company of RM128,328,000 (2017/2018: RM142,464,000) and the weighted average number of ordinary shares during the period of 190,025,049 (2017/2018 : 189,981,433).

Weighted average number of ordinary shares

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year to-date	Preceding Year Corresponding Period
	30/06/2019 '000	30/06/2018 '000	30/06/2019 '000	30/06/2018 '000
Issued ordinary shares at beginning of period	209,884	209,884	209,884	209,884
Treasury shares held at beginning of period	(10,988)	(10,988)	(10,988)	(10,988)
Trust Shares held at beginning of period	(8,840)	(8,890)	(8,890)	(8,970)
	190,056	190,006	190,006	189,926
Effect of Trust Shares vested	-	-	19	55
Weighted average number of ordinary shares (basic)	190,056	190,006	190,025	189,981

b) Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the quarter under review/financial year-to-date and preceding year corresponding quarter/period as there were no dilutive potential ordinary shares.

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22. Derivatives

The Group has entered into a number of forward foreign exchange contracts by subsidiaries to hedge the cash flow risk in relation to the variations of cash flows arising from future forecasted transactions.

The forward foreign exchange contracts are stated at fair value using observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

As at 30 June 2019, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Contract amount	Fair Value Assets / (Liabilities)
	RM'000	RM'000
Less than 1 year	167,918	(286)

Derivatives (which are classified as financial assets/liabilities) categorised as fair value through profit or loss are subsequently measured at their fair values with the gains/losses recognised in profit or loss. Gains/losses arising from fair value changes of derivatives is as disclosed in Note 15.

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the previous financial year ended 30 June 2018.

23. Gains/losses arising from fair value changes of financial liabilities

Other than derivatives which are classified as financial liabilities when they are at fair value loss position, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

By Order of the Board
Malaysian Pacific Industries Berhad

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
28 August 2019