

ISKANDAR WATERFRONT CITY BERHAD

(Formerly known as TEBRAU TEGUH BERHAD)

(Company No. 8256-A)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2014

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | Current quarter 30.06.2014 RM'000 | Previous year corresponding quarter 30.06.2013 RM'000 | 6 months ended 30.06.2014 RM'000 | 6 months ended 30.06.2013 RM'000 |
| Revenue | 63,204 | 65,201 | 99,408 | 96,048 |
| Cost of sales | (60,144) | (60,470) | (92,976) | (88,536) |
| Gross profit | 3,060 | 4,731 | 6,432 | 7,512 |
| Other operating income | 1,110 | 3,337 | 1,779 | 3,414 |
| Operating expenses | (2,152) | (1,358) | (5,051) | (3,360) |
| Profit from operations | 2,018 | 6,710 | 3,160 | 7,566 |
| Finance costs | (327) | (416) | (549) | (654) |
| Profit before tax (Note 25) | 1,691 | 6,294 | 2,611 | 6,912 |
| Tax expenses (Note 19) | (2,168) | (873) | (1,102) | (1,355) |
| (Loss)/Profit for the period | (477) | 5,421 | 1,509 | 5,557 |
| Other comprehensive income, net of tax | - | - | - | - |
| Total comprehensive (loss)/income for the period | (477) | 5,421 | 1,509 | 5,557 |
| (Loss)/Profit and total comprehensive (loss)/income attributable to : | | | | |
| Owners of the Parent | (477) | 5,421 | 1,509 | 5,557 |

EARNINGS PER SHARE (Note 29)

| | | | | |
|---------------|--------|------|------|------|
| Basic (sen) | (0.07) | 0.81 | 0.23 | 0.83 |
| Diluted (sen) | (0.07) | 0.81 | 0.23 | 0.83 |

The above condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

ISKANDAR WATERFRONT CITY BERHAD

(Formerly known as TEBRAU TEGUH BERHAD)

(Company No. 8256-A)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014

| | Unaudited as at 30.06.2014 RM'000 | Audited as at 31.12.2013 RM'000 |
|--|---|---------------------------------------|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 1,186 | 1,048 |
| Available-for-sale investment | 90 | 90 |
| Investment in associate | 150 | - |
| Investment properties | 340 | 340 |
| Land held for future development | 316,038 | 316,038 |
| Deferred tax assets | 1,171 | 1,365 |
| | <u>318,975</u> | <u>318,881</u> |
| CURRENT ASSETS | | |
| Development properties | 345,134 | 267,677 |
| Inventories | 182 | 182 |
| Trade and other receivables | 132,507 | 183,611 |
| Other current assets | 11,637 | 12,197 |
| Tax recoverable | 2,055 | 2,723 |
| Cash and bank balances | 60,565 | 78,303 |
| | <u>552,080</u> | <u>544,693</u> |
| TOTAL ASSETS | 871,055 | 863,574 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | | |
| Share capital | 334,864 | 334,864 |
| Share premium | 225,821 | 225,821 |
| Reserves | (16,392) | (17,901) |
| Shareholders' equity | <u>544,293</u> | <u>542,784</u> |
| NON-CURRENT LIABILITIES | | |
| Long term borrowings | 1,420 | 1,409 |
| Deferred tax liabilities | 116,591 | 117,362 |
| | <u>118,011</u> | <u>118,771</u> |
| CURRENT LIABILITIES | | |
| Short term borrowings | 42,904 | 63,619 |
| Trade and other payables | 141,642 | 97,351 |
| Other current liabilities | 14,794 | 27,655 |
| Provisions | 4,750 | 8,540 |
| Tax payable | 4,661 | 4,854 |
| | <u>208,751</u> | <u>202,019</u> |
| TOTAL LIABILITIES | 326,762 | 320,790 |
| TOTAL EQUITY AND LIABILITIES | 871,055 | 863,574 |
| Net assets per share (RM) | 0.81 | 0.81 |

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 JUNE 2014

| | Share capital | Share premium | Accumulated losses | Total equity |
|--|---------------|---------------|--------------------|--------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Opening balance at 1 January 2014 | 334,864 | 225,821 | (17,901) | 542,784 |
| Total comprehensive income for the period | - | - | 1,509 | 1,509 |
| Closing balance at 30 June 2014 | 334,864 | 225,821 | (16,392) | 544,293 |
| Opening balance at 1 January 2013 | 334,864 | 225,821 | (44,564) | 516,121 |
| Total comprehensive income for the period | - | - | 5,557 | 5,557 |
| Closing balance at 30 June 2013 | 334,864 | 225,821 | (39,007) | 521,678 |

The above condensed consolidated statements of changes in equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED 30 JUNE 2014

| | 6 months ended 30.06.2014 RM'000 | 6 month ended 30.06.2013 RM'000 |
|---|--|---------------------------------------|
| Operating activities | | |
| Profit before tax | 2,611 | 6,912 |
| Adjustment for : | | |
| Bad debts written off | - | 122 |
| Depreciation | 138 | 179 |
| Provision for legal claim written back | - | (3,035) |
| Property, plant & equipment written off | - | 35 |
| Impairment loss recovered on trade receivables | - | (300) |
| Interest income | (1,768) | (368) |
| Interest expenses | 549 | 654 |
| Operating profit before changes in working capital | 1,530 | 4,199 |
| Change in trade and other receivables | 51,663 | (26,056) |
| Change in trade and other payables | 27,640 | 17,748 |
| Change in property development cost | (77,457) | (1,092) |
| Cash flows from/(used in) operating activities | 3,376 | (5,201) |
| Interest paid | (549) | (109) |
| Taxes paid (net) | (1,204) | (737) |
| Net cash from/(used in) operating activities | 1,624 | (6,047) |
| Investing activities | | |
| Purchase of property, plant and equipment | (145) | (70) |
| Purchase of investment in associate | (150) | - |
| Interest received | 1,768 | 212 |
| Net cash from investing activities | 1,473 | 142 |

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE QUARTER ENDED 30 JUNE 2014

| | 6 months ended 30.06.2014 RM'000 | 6 months ended 30.06.2013 RM'000 |
|---|--|--|
| Financing activities | | |
| Repayment on term and bridging loan | (34,000) | (4,813) |
| Drawdown of short term borrowings | 8,500 | - |
| Repayment of obligations under finance leases | (101) | (96) |
| Net cash used in financing activities | (25,601) | (4,909) |
| Net decrease in cash and cash equivalents | (22,504) | (10,814) |
| Cash and cash equivalents at beginning of period | 78,303 | 38,292 |
| Cash and cash equivalents at the end of period | 55,799 | 27,478 |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 24,058 | 6,795 |
| Deposit with licensed banks | 36,507 | 25,518 |
| | 60,565 | 32,313 |
| Less : Bank overdraft | (4,766) | (4,835) |
| | 55,799 | 27,478 |

The above condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

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NOTES TO THE 2nd QUARTER FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2014

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements (“Condensed Report”) are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

This condensed report has also been prepared on a historical basis.

This condensed report should be read in conjunction with the audited financial statements for the year ended 31 December 2013. These explanatory notes attached to this condensed report 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 31 December 2013.

2. CHANGES IN ACCOUNTING POLICIES

2.1 Adoption of Standards, Amendments and IC interpretations

The accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013 except for the adoption of Amendments to Standards and Issue Committee (“IC”) interpretations effective as of 1 January 2014.

| | |
|-----------------------|---|
| Amendments to FRS 9 | Mandatory Effective Date of FRS 9 and Transition Disclosures |
| Amendments to FRS 10 | Consolidation Financial Statements: Investment Entities |
| Amendments to FRS 12 | Disclosure of Interests in Other Entities: Investment Entities |
| Amendments to FRS 127 | Consolidated and Separate Financial Statements: Investment Entities |
| Amendments to FRS 132 | Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities |
| Amendments to FRS 136 | Impairment of Assets |
| Amendments to FRS 139 | Financial Instruments : Recognition and Measurement |
| IC Interpretation 21 | Levies |

2.2 Standards and interpretations issued but not yet effective

At the date of authorisation of the Condensed Report, the following Standards were issued but not yet effective and have not been adopted by the Group :

| |
|--|
| Annual Improvements to FRSs 2010–2012 Cycle |
| Annual Improvements to FRSs 2011–2013 Cycle |
| Amendments to FRS 119 Defined Benefits Plans: Employee Contributions |
| Amendments to FRS 116 and FRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to FRS 11 Accounting for Acquisitions of Interests in Joint Operations |
| FRS 14 Regulatory Deferred Accounts |

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NOTES TO THE 2nd QUARTER FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2014

2.2 Standards and interpretations issued but not yet effective (cont'd)

FRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)
FRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)
FRS 9 Financial Instruments: Hedge Accounting and amendments to FRS 9,
FRS 7 and FRS 139

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application, other than for FRS 9 Financial Instruments. The Group will assess the financial implications of FRS 9 Financial Instruments when the full standard is issued.

2.3 Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities are allowed to defer the adoption of the new MFRS Framework and may in the alternative, apply Financial Reporting Standards (FRS) as its financial reporting framework for annual periods beginning on or after 1 January 2014.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will present its first set of MFRS financial statements when the MFRS Framework is mandated by the MASB. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ending 31 December 2014 could be different if prepared under the MFRS Framework.

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NOTES TO THE 2nd QUARTER FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2014

2.4 Significant accounting judgement and estimates

The Group recognises revenue and expenses from construction activities in the statements of profit or loss and other comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs.

Significant judgment is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contract. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

3. AUDITORS' REPORT OF THE PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2013

The auditors' report on the financial statements of the Company and of the Group for the financial year ended 31 December 2013 was not subject to any qualification.

4. SEASONAL OR CYCLICAL FACTORS

The Group's business operations are not seasonal but cyclical in nature, which is dependent on the economic conditions in Malaysia.

5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period under review because of their nature, size, or incidence.

6. CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in previous quarters of the current financial period or changes in estimates of amounts reported in prior financial years that have had a material effect in the current quarter.

7. DEBT AND EQUITY SECURITIES

There were no issuances and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter ended 30 June 2014.

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NOTES TO THE 2nd QUARTER FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2014

8. CAPITAL MANAGEMENT AND REPAYMENT OF DEBT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain the optimal capital structure, the Group may, from time to time, adjust dividend payments to shareholders, return capital to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises borrowings and trade and other payables, less cash and bank balances whereas total capital comprises the equity attributable to equity holders of the Group.

The gearing ratios as at 30 June 2014 and 31 December 2013, which are within the Group's objectives for capital management, are as follows:-

| | 30.06.2014 | 31.12.2013 |
|------------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Borrowings | 42,904 | 63,619 |
| Trade and other payables | 141,642 | 97,351 |
| Less: Cash and bank balances | (60,565) | (78,303) |
| Net debt | <u>123,981</u> | <u>82,667</u> |
| Equity | <u>544,293</u> | <u>542,784</u> |
| Total capital | <u>544,293</u> | <u>542,784</u> |
| Capital and net debt | 668,274 | 625,451 |
| Gearing ratio | 18.5% | 13.2% |

The increase in gearing ratio of 18.5% in the current quarter ended 30 June 2014 as compared to previous year of 13.2% was due to increase in amount owing to subcontractors and decrease in cash balances.

The details of the drawdown and the repayment of bank borrowings in the current quarter are as follows:

| | Current year quarter | 6 months cumulative to date |
|------------------------------------|-----------------------------|------------------------------------|
| | 30.06.2014 | 30.06.2014 |
| | RM'000 | RM'000 |
| a) Drawdown on new bank borrowings | - | 8,500 |
| b) Repayment of bank borrowings | 34,000 | 34,000 |

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NOTES TO THE 2nd QUARTER FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2014

9. DIVIDENDS

No dividends were recommended, declared or paid during the financial period ended 30 June 2014.

10. VALUATION OF INVESTMENT PROPERTIES

The valuations of investment properties had been brought forward from the audited financial statements for the financial year ended 31 December 2013, without amendments.

11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the end of the current quarter that have not been reflected in the quarterly financial statements.

12. GROUP COMPOSITION

There were no material changes in the composition of the Group during the financial quarter under review except for investment in an associate company, namely Renown Dynamic Sdn. Bhd..

13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The Group has no contingent liabilities except for the following :

| | 30.06.2014 RM'000 | 30.06.2013 RM'000 |
|--|----------------------|----------------------|
| Corporate guarantees given by the Company to financial institutions for facilities granted to subsidiaries | 164,621 | 184,966 |
| - Current exposure | 39,113 | 4,308 |
| Performance bond issued by subsidiaries involved in construction activities | 51,266 | 51,266 |

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NOTES TO THE 2nd QUARTER FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2014

14. OPERATING SEGMENTS

The following tables provide an analysis of the Group's revenue, results, assets and liabilities by business segments:-

| As at 30 June 2014 RM'000 | Property Development | Construction | Property Management | Elimination | Consolidated |
|--------------------------------------|-------------------------|--------------|------------------------|-------------|--------------|
| Revenue | | | | | |
| Revenue | 409 | 98,999 | - | - | 99,408 |
| Other income | 249 | 1,523 | - | - | 1,772 |
| Unallocated other income | - | - | - | - | 7 |
| | 658 | 100,522 | - | - | 101,187 |
| RESULT | | | | | |
| Segment results | (2,428) | 6,982 | (3) | (126) | 4,425 |
| Unallocated corporate expenses | | | | | (1,265) |
| Finance costs | | | | | (549) |
| Profit before tax | | | | | 2,611 |

| As at 30 June 2013 RM'000 | Property Development | Construction | Property Management | Elimination | Consolidated |
|--------------------------------------|-------------------------|--------------|------------------------|-------------|--------------|
| Revenue | | | | | |
| Revenue | - | 96,048 | - | - | 96,048 |
| Other income | 120 | 248 | - | - | 368 |
| Unallocated other income | - | - | - | - | 11 |
| | 120 | 96,296 | - | - | 96,427 |
| RESULT | | | | | |
| Segment results | 2,233 | 7,358 | (6) | (1,464) | 8,121 |
| Unallocated corporate expenses | | | | | (555) |
| Finance costs | | | | | (654) |
| Profit before tax | | | | | 6,912 |

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NOTES TO THE 2nd QUARTER FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2014

14. OPERATING SEGMENTS (CONT'D)

ASSETS AND LIABILITIES

| As at 30 June 2014 RM'000 | Property Development | Construction | Property Management | Elimination | Consolidated |
|---------------------------------------|-------------------------|--------------|------------------------|-------------|------------------|
| <u>ASSETS</u> | | | | | |
| Segment assets | 696,981 | 252,956 | 17 | (85,378) | 864,576 |
| Investment in associate | | | | | 150 |
| Investment properties | | | | | 340 |
| Available-for-sale investments | | | | | 90 |
| Unallocated corporate assets | | | | | 5,899 |
| Consolidated total assets | | | | | 871,055 |
| <u>LIABILITIES</u> | | | | | |
| Segment liabilities | (134,043) | (274,672) | (531) | 85,378 | (323,868) |
| Unallocated corporate liabilities | | | | | (2,894) |
| Consolidated total liabilities | | | | | (326,762) |

| As at 30 June 2013 RM'000 | Property Development | Construction | Property Management | Elimination | Consolidated |
|---------------------------------------|-------------------------|--------------|------------------------|-------------|------------------|
| <u>ASSETS</u> | | | | | |
| Segment assets | 611,166 | 159,227 | 24 | (120,971) | 649,446 |
| Investment properties | | | | | 308 |
| Available-for-sale investments | | | | | 90 |
| Unallocated corporate assets | | | | | 101,259 |
| Consolidated total assets | | | | | 751,103 |
| <u>LIABILITIES</u> | | | | | |
| Segment liabilities | (160,003) | (187,396) | (521) | 120,971 | (226,949) |
| Unallocated corporate liabilities | | | | | (2,476) |
| Consolidated total liabilities | | | | | (229,425) |

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NOTES TO THE 2nd QUARTER FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2014

15. RELATED PARTY TRANSACTIONS

Significant related party transactions are as follows:

| | 3 months ended | | 6 months ended | |
|---|----------------|------------|----------------|------------|
| | 30.06.2014 | 30.06.2013 | 31.06.2014 | 30.06.2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchase of raw materials from Wengcon Marketing Sdn. Bhd., a subsidiary of a company of which a director of the Company has interest | 86 | 1,259 | 735 | 5,996 |
| Rental of equipment paid or payable to Wengcon Equipment Sdn. Bhd., a subsidiary of a company of which a director of the Company has interest | | 2 | | 2 |
| | | | | |

The directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

16. REVIEW OF PERFORMANCE

(i) Q2 2014 vs Q2 2013, comparison with previous corresponding quarter

a) Property Development

Revenue for property development sector has increased by RM184,000 or 100% for the current quarter as compared to the previous corresponding quarter as no revenue was recognised in the previous corresponding quarter.

b) Construction

Revenue for construction sector has decreased by RM2.2 million for the current quarter as compared to the previous corresponding quarter of RM65.2 million. This was mainly due to lower percentage of completion was achieved in the current quarter.

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NOTES TO THE 2nd QUARTER FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2014

16. REVIEW OF PERFORMANCE (CONT'D)

(ii) 1H2014 vs 1H 2013, comparison with the preceding period

a) Property Development

As mentioned above, revenue for the six month ended 30 June 2014 has grew by 100% as no revenue was recognised in the preceding period.

b) Construction

Revenue generated from construction activities has increased by RM3.0 million or 3% to RM99.0 million for the six month ended 30 June 2014 as compared to preceding period 2013 which was led by the progressive construction activities for Pengerang and Package B project.

17. PROSPECTS

Whilst the Group expects softer buying momentum for this year due to the measures announced by the government and the recent increase in the overnight policy rate, the Group is confident and looks forward to 2014 with optimism especially in respect of property development activities, with prospective buyers expected to buy ahead of GST implementation next year. The recently announced disposal of land and joint venture with Tropicana Corporation Berhad group will allow the Group to unlock the potential value of its landbank whilst continuing to enjoy the future upside from the joint venture development.

Landbank of the Group are mainly located in the high growth Iskandar Development Region, Flagship A of which more investors are expected to come and the Group is expected to benefit from this effect. These will help the Group to sustain its medium to long term development and profitability.

In line with the Group's confidence in the high-end property market, the Group has proven its success with its launch of the first tower of 264 apartment units of its new project, The Botanika @ Bayu Puteri, which was overwhelming via balloting process. The Botanika @ Bayu Puteri is a waterfront development comprising 3 towers of apartments and 3 blocks of townhouse with an expected gross development value of RM488 million.

Besides property development and construction activities, the Group continues to pursue selective investments in order to enhance its portfolio quality and diversity, and to generate stable, predictable returns for shareholders.

18. PROFIT FORECAST

The Group has not provided any profit forecast in a public document.

ISKANDAR WATERFRONT CITY BERHAD

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NOTES TO THE 2nd QUARTER FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2014

19. TAXATION

| | Quarter ended | | 6 months cumulative to date | |
|--------------|---------------|------------|-----------------------------|--------------|
| | 30.06.2014 | 30.06.2013 | 30.06.2014 | 30.06.2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax | 2,013 | 1,226 | 1,646 | 1,635 |
| Deferred tax | 155 | (353) | (544) | (280) |
| | <u>2,168</u> | <u>873</u> | <u>1,102</u> | <u>1,355</u> |

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the period. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016.

| | Current | 6 months |
|---|--------------|--------------------|
| | quarter | cumulative to date |
| | 30.06.2014 | 30.06.2014 |
| | RM'000 | RM'000 |
| Major components of tax expenses: | | |
| Profit before tax | 1,691 | 2,611 |
| Taxation at the Malaysian statutory tax rate of 25% | 423 | 653 |
| Adjustments: | | |
| - Income not subject to taxation | (20) | (285) |
| - Deferred tax recognised at different tax rate | - | (739) |
| - Non - deductible expenses | 1,182 | 1,188 |
| - Underprovision in prior period | 583 | 285 |
| Income tax expenses | <u>2,168</u> | <u>1,102</u> |
| Effective tax rate | 128.2% | 42.0% |

20. UNQUOTED INVESTMENTS AND PROPERTIES

There were no purchases or sales of unquoted investments and properties for the current quarter and financial period-to-date.

21. QUOTED INVESTMENTS

There were no purchases or sales of quoted securities for the current quarter and financial period-to-date.

There were no investments in quoted securities as at the end of the current quarter.

22. STATUS OF CORPORATE PROPOSALS

There were no other corporate proposals announced but not completed as at the reporting date.

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NOTES TO THE 2nd QUARTER FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2014

23. BORROWINGS AND DEBT EQUITIES

Details of the Group's borrowings (all denominated in Malaysian currency) as at 30 June 2014 are as follows:

| | Current | Non current | Total |
|---------------------------------|----------------|--------------------|---------------|
| Secured | RM'000 | RM'000 | RM'000 |
| Bridging loans – Note 1 | - | 1,113 | 1,113 |
| Revolving Credit – Note 2 | 38,000 | - | 38,000 |
| Obligations under finance lease | 138 | 307 | 445 |
| Bank Overdraft | 4,766 | | 4,766 |
| Total | <u>42,904</u> | <u>1,420</u> | <u>44,324</u> |

Note 1 : As at 30 June 2014, RM1.1 million has been drawdown from the Bridging facilities of RM32.2 million under the Bai 'Al Istisna with Bank Kerjasama Rakyat Malaysia Bhd. The facility will be repaid through the redemption from sale of development properties products.

Note 2 : As at 30 June 2014, total outstanding debt for Revolving Credit (RC) Facilities with AmlIslamic Bank Berhad to finance its construction projects is RM38 million. The facilities will be repaid through direct deduction from the contract proceeds received. The Group had repaid RM34 million for this RC in current quarter.

24. REALISED AND UNREALISED PROFITS/(LOSSES)

The Group's realised and unrealised accumulated losses disclosure is as follows:

| | For the quarter ended 30.06.2014 | For the quarter ended 31.03.2014 |
|---|--|--|
| RM'000 | | |
| Total accumulated losses of the Company and subsidiaries: | | |
| - Realised | 2,961 | 3,385 |
| - Unrealised | 2,780 | 2,710 |
| | <u>5,741</u> | <u>6,095</u> |
| Less: Consolidation adjustments | <u>(22,133)</u> | <u>(22,009)</u> |
| Total Group accumulated losses | <u>(16,392)</u> | <u>(15,914)</u> |

ISKANDAR WATERFRONT CITY BERHAD

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(Company No. 8256-A)

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25. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

| | Quarter ended | | 6 months cumulative to date | |
|---|---------------|------------|--------------------------------|------------|
| | 30.06.2014 | 30.06.2013 | 30.06.2014 | 30.06.2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation | 70 | 87 | 138 | 179 |
| Bad debts written off | - | - | - | 122 |
| Interest income | (1,102) | (301) | (1,768) | (368) |
| Interest expenses | 327 | 417 | 549 | 654 |
| Impairment loss recovered on trade receivables | - | (300) | - | (300) |
| Provision for legal claim written back | - | (3,035) | - | (3,035) |
| Property, plant and equipment written off | - | 35 | - | 35 |
| Other income | (8) | (1) | (11) | (11) |

Other than as disclosed above, the other items as required under Appendix 9B, Part A (16) of the Bursa Malaysia Listing Requirement are not applicable.

26. EVENTS AFTER REPORTING PERIOD

There were no material events subsequent to the end of the current quarter.

27. DERIVATIVES

- There were no outstanding derivatives (including financial instruments designated as hedging instruments) as at the end of the quarter ended 30 June 2014; and
- The Group has not entered into a type of derivatives not disclosed in the previous financial year or any of the previous quarter under the current financial period.

28. DIVIDEND PAYABLE

No dividend has been declared for the financial period ended 30 June 2014 (31 December 2013 : RM Nil).

29. EARNINGS PER SHARE

The basic earnings per share for the financial period has been calculated based on the Group's earnings after taxation and divided by the 669,727,143 ordinary shares of RM0.50 each in issue during the financial period.

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30. STATUS OF JOINT VENTURE PROJECTS

Following is the status of the existing joint venture projects as at 30 June 2014:

| | Paradise Realty Sdn. Bhd. |
|--|----------------------------------|
| <u>Development Status</u> | |
| Total land area | 20.324 acres |
| % land under development | 100% |
| % of development completed | 37 % |
| % of development not yet completed | 63 % |
| <u>Joint Venture Consideration</u> | |
| Minimum consideration (RM'000) | 35,426 |
| Amount invoiced (RM'000) | 18,439 |
| Amount collected (RM'000) | (18,439) |
| Outstanding as at 30 June 2014 (RM'000) | - |

31. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20th August 2014.