

# UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2018

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**SELANGOR PROPERTIES BERHAD**

(Company Number: 5199-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE SECOND QUARTER ENDED 30 APRIL 2018**

|   | INDIVIDUAL QUARTER                             |   | CUMULATIVE QUARTER                             |  |
|---|--|---|--|--|
|   | Current Year<br>Quarter<br>30.4.2018<br>RM'000 | Preceding Year<br>Corresponding<br>Quarter<br>30.4.2017<br>RM'000 | Current Year<br>To Date<br>30.4.2018<br>RM'000 | Preceding Year<br>Corresponding<br>Period<br>30.4.2017<br>RM'000 |
| <b>Revenue</b>  | 38,724   | 32,628  | 67,414   | 63,079   |
| Operating expenses  | (20,065)                                       | (18,271)  | (36,376)                                       | (37,118)   |
| Other operating income/(loss)   | (4,771)  | (52)  | (54,430)                                       | 37,979   |
| <b>Profit/(Loss) from operation</b>   | 13,888   | 14,305  | (23,392)                                       | 63,940   |
| Finance costs   | (3,799)  | (3,056)   | (5,207)  | (6,271)  |
| <b>Profit/(Loss) before tax</b>   | 10,089   | 11,249  | (28,599)                                       | 57,669   |
| Income tax expense  | (3,458)  | (2,649)   | (5,706)  | (5,023)  |
| <b>Profit/(Loss) for the financial period</b>                                     | 6,631  | 8,600   | (34,305)                                       | 52,646   |
| Foreign currency translation  | (25,034)                                       | (11,865)  | (35,142)                                       | 5,675  |
| Fair value changes on hedging instrument  | 10   | 32  | 15   | (16)   |
| Other comprehensive income/(loss)<br>for the period (net of tax)                  | (25,024)                                       | (11,833)  | (35,127)                                       | 5,659  |
| <b>Total comprehensive income/(loss)<br/>for the period</b>                       | (18,393)                                       | (3,233)   | (69,432)                                       | 58,305   |
| <b>Profit/(Loss) attributable to owners<br/>of the parent</b>                     | 6,631  | 8,600   | (34,305)                                       | 52,646   |
| <b>Total comprehensive income/(loss)<br/>attributable to owners of the parent</b> | (18,393)                                       | (3,233)   | (69,432)                                       | 58,305   |
| Earnings/(Loss) per share attributable to<br>owners of the Company                |  |   |  |  |
| - Basic (sen)   | 1.93   | 2.50  | (9.98)   | 15.32  |
| - Diluted (sen)   | 1.93   | 2.50  | (9.98)   | 15.32  |

*The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 October 2017*

**SELANGOR PROPERTIES BERHAD**

(Company Number: 5199-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|  | Unaudited<br>As At<br>30.4.2018<br>RM'000 | Audited<br>As At<br>31.10.2017<br>RM'000 |
|--|---|--|
| <b>ASSETS</b>  |   |  |
| Non-current assets   |   |  |
| Property, plant and equipment                                      | 53,048                                    | 54,448                                   |
| Land held for property development                                 | 426,978                                   | 426,136                                  |
| Long term receivables  | 7,588                                     | 7,204                                    |
| Investment properties  | 1,212,959                                 | 1,285,464                                |
| Financial assets available for sale ("AFS")                        | 25,332                                    | 23,675                                   |
| Deferred tax assets  | 3,622                                     | 3,622                                    |
| Total Non-current Assets   | <u>1,729,527</u>                          | <u>1,800,549</u>                         |
| Current assets   |   |  |
| Property development costs   | 180,030                                   | 138,349                                  |
| Inventories  | 720                                       | 720                                      |
| Trade receivables  | 5,417                                     | 4,054                                    |
| Other receivables  | 2,668                                     | 3,698                                    |
| Tax recoverable  | 5,500                                     | 5,481                                    |
| Financial assets at fair value<br>through profit or loss ("FVTPL") | 665,012                                   | 737,028                                  |
| Cash and bank balances   | 272,508                                   | 304,131                                  |
| Total Current Assets   | <u>1,131,855</u>                          | <u>1,193,461</u>                         |
| Assets held for sale   | 2,764                                     | 3,046                                    |
| <b>TOTAL ASSETS</b>  | <u>2,864,146</u>                          | <u>2,997,056</u>                         |
| <b>EQUITY AND LIABILITIES</b>                                      |   |  |
| Equity attributable to owners of the parent                        |   |  |
| Share capital  | 545,371                                   | 545,371                                  |
| Reserves   | 1,884,190                                 | 1,994,856                                |
| Total equity   | <u>2,429,561</u>                          | <u>2,540,227</u>                         |

**SELANGOR PROPERTIES BERHAD**

(Company Number: 5199-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|   | <b>Unaudited<br/>As At<br/>30.4.2018<br/>RM'000</b> | <b>Audited<br/>As At<br/>31.10.2017<br/>RM'000</b> |
|---|---|--|
| <b>LIABILITIES</b>  |   |  |
| Non-current liabilities   |   |  |
| Borrowings  | 225,030   | 4,894  |
| Cash flow hedge instrument  | 17  | -  |
| Deferred tax liabilities  | 134,218   | 141,271  |
| Total Non-current Liabilities                                     | <u>359,265</u>                                      | <u>146,165</u>                                     |
| Current liabilities   |   |  |
| Cash flow hedge instrument  | 192   | 230  |
| Borrowings  | 20,000  | 253,420  |
| Trade payables and contract liabilities                           | 28,263  | 29,499   |
| Other payables  | 25,683  | 27,169   |
| Tax payable   | 1,182   | 346  |
| Total Current Liabilities   | <u>75,320</u>                                       | <u>310,664</u>                                     |
| <b>TOTAL LIABILITIES</b>  | <u>434,585</u>                                      | <u>456,829</u>                                     |
| <b>TOTAL EQUITY AND LIABILITIES</b>                               | <u>2,864,146</u>                                    | <u>2,997,056</u>                                   |
| Net assets per share attributable to<br>owners of the parent (RM) | 7.07  | 7.39   |

*The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 October 2017*

**SELANGOR PROPERTIES BERHAD**

(Company Number: 5199-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SECOND QUARTER ENDED 30 APRIL 2018**

|   | ← Attributable to equity holders of the Company → |  |                                | Total Equity<br>RM'000 |
|---|---|--|--------------------------------|------------------------|
|   | Share Capital<br>RM'000                           | Distributable<br>Non-Reserve<br>RM'000 | Retained<br>earnings<br>RM'000 |                        |
| <b>Current Year To Date</b>                                     |   |  |                                |                        |
| As at 1 November 2017   | 545,371   | 88,238                                 | 1,906,618                      | 2,540,227              |
| Total comprehensive loss  | -   | (35,127)                               | (34,305)                       | (69,432)               |
| Dividend  | -   | -                                      | (41,234)                       | (41,234)               |
| As at 30 April 2018   | <u>545,371</u>                                    | <u>53,111</u>                          | <u>1,831,079</u>               | <u>2,429,561</u>       |
| <b>Preceding Year Corresponding Period</b>                      |   |  |                                |                        |
| As at 1 November 2016   | 343,617   | 283,913                                | 1,882,742                      | 2,510,272              |
| Total comprehensive income                                      | -   | 5,659                                  | 52,646                         | 58,305                 |
| Adjustments for effect of Companies Act 2016<br><b>(Note a)</b> | 201,754   | (201,754)                              | -                              | -                      |
| Dividend  | -   | -                                      | (68,723)                       | (68,723)               |
| As at 30 April 2017   | <u>545,371</u>                                    | <u>87,818</u>                          | <u>1,866,665</u>               | <u>2,499,854</u>       |

**Note a**

With the Companies Act 2016 ("CA 2016") coming into effect on 31 January 2017, the credit standing in the share premium account at 31 January 2017 of RM201,754,000 has been transferred to the share capital account. Pursuant to section 618(3) of the CA 2016, the Group may exercise its right to use the credit amount being transferred from the share premium account within 24 months after the commencement of the CA 2016. The Board of Directors will make a decision thereon by 31 January 2019.

*The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 October 2017*

**SELANGOR PROPERTIES BERHAD**

(Company Number: 5199-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE PERIOD ENDED 30 APRIL 2018**

|   | <b>6 Months ended</b> |                  |
|---|-----------------------|------------------|
|   | <b>30.4.2018</b>      | <b>30.4.2017</b> |
|   | <b>RM'000</b>         | <b>RM'000</b>    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |                       |                  |
| Profit/(Loss) before tax                                | (28,599)              | 57,669           |
| Adjustments for non-cash item                           | 53,887                | (29,085)         |
| Working capital changes                                 | (30,880)              | (14,801)         |
| Net cash generated from/(used in) operations            | (5,592)               | 13,783           |
| Interest received                                       | 4,218                 | 4,323            |
| Taxes paid  | (3,266)               | (3,089)          |
| Net cash generated from/(used in) operating activities  | (4,640)               | 15,017           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |                       |                  |
| Purchase of FVTPL financial assets                      | (144,582)             | (68,511)         |
| Proceeds from disposal of FVTPL financial assets        | 166,956               | 134,179          |
| Proceeds from disposal of property, plant and equipment | 34                    | -                |
| Acquisition of AFS financial assets                     | (4,144)               | -                |
| Additions of investment properties                      | (3,466)               | (2,037)          |
| Return on capital from AFS financial assets             | 391                   | 750              |
| Purchase of property, plant and equipment               | (598)                 | (3,066)          |
| Dividends received from foreign investments             | 11,127                | 4,881            |
| Net cash generated from investing activities            | 25,718                | 66,196           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |                       |                  |
| Net drawdown of borrowings                              | 8,271                 | 1,500            |
| Dividend paid to equity holders of the parent           | (41,234)              | (68,723)         |
| Interest paid   | (3,261)               | (3,366)          |
| Net cash used in financing activities                   | (36,224)              | (70,589)         |
| NET INCREASE IN CASH AND CASH EQUIVALENTS               | (15,146)              | 10,624           |
| EFFECTS OF EXCHANGE RATE CHANGES                        | (16,477)              | 3,357            |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD        | 304,131               | 233,120          |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD              | 272,508               | 247,101          |

*The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 October 2017*

## **PART A**

### **Explanatory Notes Pursuant to MFRS 134 “Interim Financial Reporting”**

#### **1. Basis of Preparation**

The condensed consolidated interim financial statements for the year ended 31 October 2017 of the Group have been prepared in accordance with the International Financial Reporting Standards compliant framework, Malaysian Financial Reporting Standards (“MFRS”), MFRS 134 “Interim Financial Reporting”, Paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Main LR”), and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 October 2017.

The explanatory notes attached to these condensed consolidated 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 31 October 2017.

#### **2. Accounting Policies**

The accounting policies and methods of computation and presentation adopted by the Group in this quarterly report are consistent with those adopted in the audited financial statements for the financial year ended 31 October 2017 except as described below.

On 1 November 2017, the Group has adopted the following Amendments of MFRSs that have been issued by MASB:

| <u>Titles</u>                     |   | <u>Effective Date</u> |
|-----------------------------------|---|-----------------------|
| Amendments to MFRS 1 and MFRS 128 | Annual Improvements to MFRS MFRS Standards 2014-2016 Cycles | 1 January 2017        |
| Amendments to MFRS 112            | Recognition of Deferred Tax Assets for Unrealised Losses    | 1 January 2017        |
| Amendments to MFRS 107            | Statement of Cash Flows: Disclosure Initiative              | 1 January 2017        |

#### **3. Annual Audited Financial Statements**

The audited financial statements of the Company for the preceding financial year ended 31 October 2017 were not subject to any qualification.

#### **4. Comments on the Seasonality or Cyclicity of Operations**

The operations of the Group were not affected by any seasonal or cyclical factors.

#### **5. Unusual Items**

Save for the information disclosed in this interim financial report, there were no unusual items affecting assets, liabilities, equity, net income or cash flow.

#### **6. Changes in Estimates of Amounts Reported Previously**

There were no material changes in estimates of amounts used in the preparation of the financial statements in the current financial quarter and current financial period as compared to the previous corresponding financial quarterly and financial period.



## 7. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter.

## 8. Dividends Paid

A final single-tier exempt dividend of RM41,234,011 in respect of the financial year ended 31 October 2017, which comprise 12.0 sen single-tier exempt dividend per ordinary share on 343,616,761 ordinary shares, was approved by the shareholders at the Annual General Meeting held on 28 February 2018 and was paid on 23 March 2018.

Save as disclosed, there were no other dividends paid during the current quarter under review.

## 9. Segment Information

The analysis of the Group's operations for the period ended 30 April 2018 is as follows: -

|                                 | Individual Quarter                             |   | Cumulative Period                              |  |
|---------------------------------|--|---|--|--|
|                                 | Current Year<br>Quarter<br>30.4.2018<br>RM'000 | Preceding Year<br>Corresponding<br>Quarter<br>30.4.2017<br>RM'000 | Current Year<br>To Date<br>30.4.2018<br>RM'000 | Preceding Year<br>Corresponding<br>Period<br>30.4.2017<br>RM'000 |
| <u>Revenue</u>                  |  |   |  |  |
| Property Investment             | 11,612   | 11,994  | 23,508   | 23,787   |
| Property Development            | 4,645  | 2,374   | 8,921  | 6,045  |
| Investment Holding              | 5,189  | 7,084   | 9,692  | 11,471   |
| Australian Operations           | 17,278   | 11,176  | 25,293   | 21,776   |
|                                 | <u>38,724</u>                                  | <u>32,628</u>   | <u>67,414</u>                                  | <u>63,079</u>  |
| <u>Profit/(loss) before tax</u> |  |   |  |  |
| Property Investment             | 6,967  | 6,522   | 14,993   | 13,220   |
| Property Development            | (3,886)  | (4,673)   | (7,007)  | (7,887)  |
| Investment Holding              | (5,014)  | 1,476   | (54,888)                                       | 39,364   |
| Australian Operations           | 12,029   | 7,933   | 18,313   | 12,986   |
| Others                          | (7)  | (9)   | (10)   | (14)   |
|                                 | <u>10,089</u>                                  | <u>11,249</u>   | <u>(28,599)</u>                                | <u>57,669</u>  |
|                                 |  |   |  |  |
|                                 | Total assets                                   |   | Total liabilities                              |  |
|                                 | 30.4.2018                                      | 30.4.2017   | 30.4.2018                                      | 30.4.2017  |
|                                 | RM'000   | RM'000  | RM'000   | RM'000   |
| Property Investment             | 669,242  | 651,372   | 53,131   | 50,715   |
| Property Development            | 690,448  | 692,493   | 81,798   | 25,799   |
| Investment Holding              | 820,378  | 864,130   | 9  | 22   |
| Australian Operations           | 683,749  | 700,348   | 298,693  | 330,984  |
| Others                          | 329  | 240   | 954  | 1,209  |
|                                 | <u>2,864,146</u>                               | <u>2,908,583</u>  | <u>434,585</u>                                 | <u>408,729</u>   |

#### 10. Valuation of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward, without amendment from the previous annual financial statements.

#### 11. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the financial period reported that have not been reflected in these financial statements.

#### 12. Changes in the Composition of the Group

There were no other changes in the composition of the Group for the financial period ended 30 April 2018.

#### 13. Changes in Contingent Liabilities or Contingent Assets since the Last Annual Reporting Date

There were no material changes in contingent liabilities or contingent assets since the last audited reporting date.

#### 14. Capital Commitments

There are no material capital commitments in relation to the Group's capital expenditure except as disclosed below:

|                                 |               |
|---------------------------------|---------------|
|                                 | RM' 000       |
| Approved and contracted for     | -             |
| Approved but not contracted for | 55,600        |
| Total                           | <u>55,600</u> |

**PART B**
**Explanatory Notes Pursuant to Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirements**
**1. Detailed analysis of the performance for the current quarter and year-to-date**

## Review of Group Performance

|  | INDIVIDUAL QUARTER   |                                      | Changes |        | CUMULATIVE QUARTER   |                                     | Changes  |          |
|--|----------------------|--------------------------------------|---------|--------|----------------------|-------------------------------------|----------|----------|
|  | Current Year Quarter | Preceding Year Corresponding Quarter |         |        | Current Year To Date | Preceding Year Corresponding Period |          |          |
|  | ("Q2 2018")          | ("Q2 2017")                          |         |        | ("YTD 2018")         | ("YTD 2017")                        |          |          |
|  | 30.4.2018            | 30.4.2017                            |         |        | 30.4.2018            | 30.4.2017                           |          |          |
|  | RM'000               | RM'000                               | RM'000  | %      | RM'000               | RM'000                              | RM'000   | %        |
| Revenue  | 38,724               | 32,628                               | 6,096   | 18.7   | 67,414               | 63,079                              | 4,335    | 6.9      |
| Profit/(Loss) before interest and tax              | 11,521               | 11,050                               | 471     | 4.3    | (27,263)             | 57,442                              | (84,705) | >(100.0) |
| Profit/(Loss) before tax                           | 10,089               | 11,249                               | (1,160) | (10.3) | (28,599)             | 57,669                              | (86,268) | >(100.0) |
| Profit/(Loss) after tax                            | 6,631                | 8,600                                | (1,969) | (22.9) | (34,305)             | 52,646                              | (86,951) | >(100.0) |
| Profit/(Loss) attributable to owners of the parent | 6,631                | 8,600                                | (1,969) | (22.9) | (34,305)             | 52,646                              | (86,951) | >(100.0) |

The Group's revenue for Q2 2018 increased by 18.7% compared to Q2 2017 mainly due to higher revenue from Australian operations despite Ringgit strengthened against AUD in the translation of the Australian results for consolidation purpose (2018: RM3.09/AUD1.00; 2017: RM3.32/AUD1.00). The Group's pre-tax profit of RM10.1 million in Q2 2018 decreased by 10.3% compared to Q2 2017 mainly due to fair value loss recognised in Q2 2018 for the Group's overseas investments, mitigated by favourable contribution from Australian operations. In Q2 2018, the Group's results included an unrealised foreign exchange loss RM1.0 million while Q2 2017 suffered a loss of RM12.5 million.

The Group's revenue for YTD 2018 increased by 6.9% compared to YTD 2017 mainly due to higher property development revenue achieved and higher revenue from Australian operations. The Group's pre-tax loss of RM28.6 million in YTD 2018 arose mainly from unrealised foreign exchange losses of RM53.8 million recognised for the Group's overseas investments. In YTD 2017, the Group's results included an unrealised foreign exchange gain of RM27.3 million.

The performances of the respective business sectors are as follows:

Property Investment

Revenue for Q2 2018 and YTD 2018 decreased marginally compared to last year corresponding periods mainly due to lower car park collection. There was no major change in the occupancy rates and rental rates of the Group's properties for the current quarter under review.

Higher profit before tax for Q2 2018 and YTD 2018 compared to last year corresponding periods mainly due to lower building maintenance costs and staff costs.

Property Development

Revenue for Q2 2018 and YTD 2018 was derived from the work progress recognition over units of AIRA Residence sold. However, the losses for the quarter and year to date financial period arose from marketing costs on AIRA Residence, corporate and administrative costs allocated to this division, which exceeded the recognised gross profit.

## 1. Review of Performance (Cont'd.)

### Investment Holding

The Group recorded lower investment income of RM4.7 million from its overseas investments and placements in Q2 2018 compared to RM6.3 million in Q2 2017.

For YTD 2018, the Group recorded lower revenue from local unit trust placements, and lower interest income from overseas placement.

Losses in Q2 2018 arose mainly from a fair value loss of RM9.3 million recognised for the Group's financial assets at FVTPL, compared to a fair value gain of RM6.9 million recognised in Q2 2017. Foreign exchange loss for the quarter is RM1.0 million which arose from losses due to the strengthening of Ringgit against SGD (RM2.96/SGD1.00), mitigated by gains from the weakening of Ringgit against USD (RM3.92/USD1.00); compared to losses of RM12.5 million in Q2 2017.

YTD 2018 loss included a foreign exchange loss of RM53.8 million as the Ringgit strengthened against USD and SGD in the current period, while a foreign exchange gain of RM27.3 million was registered in YTD 2017. Fair value loss of RM11.2 million was recognised in YTD 2018, compared to a fair value loss of RM0.6 million recognised in YTD 2017.

### Australian Operations

Higher revenue recorded for Q2 2018 and YTD 2018 as compared to preceding year corresponding periods mainly due to higher rental income and income distribution from investment in land development projects despite lower exchange rate at RM3.09/AUD1.00 (2017: RM3.32/AUD1.00) applied in the translation of Australian Dollars for Group's result consolidation purpose. Income distribution from land development projects in Q2 2018 was RM4.6 million while in Q2 2017 was RM0.7 million. In YTD 2018, income distribution from land development projects was RM5.2 million while in YTD 2017 was RM1.4 million.

Australian operations recorded a higher profit for Q2 2018 compared to Q2 2017 in line with higher revenue, offset by higher operating expenses and finance costs.

Higher profit for YTD 2018 compared to YTD 2017 in line with higher rental revenue and income distribution from land development projects coupled with lower operating expenses and finance costs.

## 2. Comments on Material Changes in the Profit/(Loss) Before Taxation for the Quarter Reported as Compared with the Preceding Quarter

|   | Current<br>Quarter<br>Ended | Preceding<br>Quarter Ended | Changes |        |
|---|-----------------------------|----------------------------|---------|--------|
|   | ("Q2 2018")<br>30.4.2018    | ("Q1 2018")<br>31.1.2018   | RM'000  | %      |
| Revenue   | 38,724                      | 28,690                     | 10,034  | 35.0   |
| Profit/(Loss) before interest and tax                 | 11,521                      | (38,784)                   | 50,305  | >100.0 |
| Profit/(Loss) before tax                              | 10,089                      | (38,688)                   | 48,777  | >100.0 |
| Profit/(Loss) after tax                               | 6,631                       | (40,936)                   | 47,567  | >100.0 |
| Profit/(Loss) attributable to owners<br>of the parent | 6,631                       | (40,936)                   | 47,567  | >100.0 |

Group revenue for the Q2 2018 increased by 35.0% compared to the Q1 2018 contributed by a distribution income of RM4.6 million from land development projects in Australia during the quarter. The Group's pre-tax profit of RM10.1 million in Q2 2018 improved over pre-tax loss of RM38.7 million in Q1 2018 mainly due to an unrealised foreign exchange losses of RM52.8 million recognised for the Group's overseas investments was recorded in the immediate preceding quarter. In Q2 2018, the foreign exchange losses was RM1.0 million.

## 2. Comments on Material Changes in the Profit/(Loss) Before Taxation for the Quarter Reported as Compared with the Preceding Quarter (Cont'd.)

The performances of the respective business sectors are as follows:

### Property Investment

Property investment recorded a profit before tax of RM7.0 million for the current quarter compared to a profit before tax of RM8.0 million in the immediate preceding quarter. The lower profit in the current quarter was due to the higher building maintenance costs and other operating costs.

### Property Development

For the quarter under review, the pre-tax loss of property development division increased marginally from RM3.1 million in Q1 2018 to RM3.9 million in Q2 2018 due mainly to higher marketing expenses and higher staff costs.

### Investment Holding

The quarter under review recorded a loss of RM5.0 million compared to a loss of RM49.9 million in Q1 2018. This is mainly due to a lower foreign exchange loss of RM1.0 million recorded in Q2 2018 as the Ringgit weakened against USD (Q2 2018: RM3.92/USD1.00; Q1 2018: RM3.90/USD1.00), mitigated by its strengthening against SGD (Q2 2018: RM2.96/SGD1.00; Q1 2018: RM2.97/SGD1.00). A foreign exchange loss of RM52.8 million was recorded in Q1 2018.

### Australian Operations

In Q2 2018, it recorded a profit of RM12.0 million as compared to RM6.3 million in the Q1 2018. The higher profit in the current quarter was mainly due to higher rental income from investment properties and higher income distribution from land development projects, offset by higher finance costs.

## 3. Prospects

While the Malaysian economy is expected to grow at 5.4% in 2018 driven by domestic demand, the property market is expected to remain subdued due to the prevalent oversupply of the commercial and office space, and the residential sub-sectors. In view of the situation, the previous Government had decided in November 2017 to temporarily freeze residential developments priced above RM1 million with the aim of alleviating the oversupply and this policy has not changed.

Following Malaysia's General Election results in May 2018 and the forming of the new Government, the respective ministries of the new Government are expected to review the policies and processes of the previous Government. Immediate changes have been the change of GST of 6% to 0% effective 1 June 2018 and fuel prices have been fixed with the abolishment of the price floating mechanism. The GST is to be substituted with the SST in the third quarter of the calendar year. The impact of these changes by the new Government on the Malaysia economy is still evolving.

Notwithstanding the foregoing, for the current financial year, the Group's investment properties in Malaysia and Australia are expected to maintain their present occupancy and rental rates. In view of the subdued property markets in both countries, it is not expected that there will be any significant change in fair values of the properties for the year.

The Group does not foresee any major impact on the Group's financial performance with the change in GST rate and its substitution with SST.

With increasing marketing efforts, the Group expects additional sales of units in AIRA Residence project during the year to contribute towards the Group's revenue and profit. As construction progress on the site advances, higher progress billings to customers will be generated. The target launch of Bukit Permata Phase 4 in the third quarter is expected to generate more sales which will add to the Group's revenue.

### 3. Prospects (Cont'd.)

Until the Government's freeze on residential developments priced above RM1 million has been revisited and subject to market conditions, the Group will re-assess the feasibility of the development of Wisma Damansara site.

The Group expects to maintain its investment holdings with no significant changes in portfolios. No significant gains/losses in operations has been anticipated. However, these overseas investments which are held in foreign currencies will continue to be affected by fluctuations in foreign exchange.

In summary, barring unforeseen circumstances and subject to foreign exchange fluctuations and properties revaluation, the Group expects its operations in all business segments to remain stable for the current financial year.

### 4. Variances between Actual Profit and Forecast Profit

Not applicable as no profit forecast was published.

### 5. Tax Expense

Tax expense comprise the following:

|                        | Individual Quarter                             |   | Cumulative Period                              |  |
|------------------------|--|---|--|--|
|                        | Current Year<br>Quarter<br>30.4.2018<br>RM'000 | Preceding Year<br>Corresponding<br>Quarter<br>30.4.2017<br>RM'000 | Current Year<br>To Date<br>30.4.2018<br>RM'000 | Preceding Year<br>Corresponding<br>Period<br>30.4.2017<br>RM'000 |
| Income tax expense:    |  |   |  |  |
| Current year provision | 3,635  | 852   | 4,083  | 3,226  |
| Deferred taxation      | (177)  | 1,797   | 1,623  | 1,797  |
|                        | <u>3,458</u>                                   | <u>2,649</u>  | <u>5,706</u>                                   | <u>5,023</u>   |

The effective rate of taxation of the Group is lower than the statutory tax rate as investment income generated from Malaysian unit trusts are not taxable while the gains/losses contributed by overseas subsidiary company, Allied Provincial Invest Ltd (incorporated in British Virgin Islands), are not taxable/tax deductible.

### 6. Status of Corporate Proposals

There is no outstanding corporate proposal as at the date of this report.

## 7. Group Borrowings

Total Group borrowings and debt securities as at 30 April 2018 are as follows: -

| As at 2nd Quarter ended 30 April 2018 |          |                      |                 |                      |                 |                      |                 |
|---------------------------------------|----------|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
|                                       | Currency | Long term            |                 | Short term           |                 | Total borrowings     |                 |
|                                       |          | Foreign denomination | RM denomination | Foreign denomination | RM denomination | Foreign denomination | RM denomination |
|                                       |          | RM'000               | RM'000          | RM'000               | RM'000          | RM'000               | RM'000          |
| <b>Secured</b>                        |          |                      |                 |                      |                 |                      |                 |
| Foreign term loans                    | AUD      | 207,074              | -               | -                    | -               | 207,074              | -               |
| Term loan                             | RM       | -                    | 17,956          | -                    | 16,000          | -                    | 33,956          |
| <b>Unsecured</b>                      |          |                      |                 |                      |                 |                      |                 |
| Revolving credit                      | RM       | -                    | -               | -                    | 4,000           | -                    | 4,000           |
| As at 2nd Quarter ended 30 April 2017 |          |                      |                 |                      |                 |                      |                 |
|                                       | Currency | Long term            |                 | Short term           |                 | Total borrowings     |                 |
|                                       |          | Foreign denomination | RM denomination | Foreign denomination | RM denomination | Foreign denomination | RM denomination |
|                                       |          | RM'000               | RM'000          | RM'000               | RM'000          | RM'000               | RM'000          |
| <b>Secured</b>                        |          |                      |                 |                      |                 |                      |                 |
| Foreign term loans                    | AUD      | 116,128              | -               | 127,360              | -               | 243,488              | -               |
| Term loan                             | RM       | -                    | 1,500           | -                    | -               | -                    | 1,500           |
| <b>Unsecured</b>                      |          |                      |                 |                      |                 |                      |                 |
| Revolving credit                      | RM       | -                    | -               | -                    | 4,000           | -                    | 4,000           |

The foreign currency term loans comprise 2 loans of AUD35,000,000 each (2017: AUD40,000,000 and AUD 35,000,000) which bear interest at rates ranging from 1.77% to 2.96% per annum. These loans are secured by registered mortgages over investment properties of the Group. During the quarter under review, the Group prepaid AUD5,000,000. These loans are translated at RM2.96/AUD1.00 (2017: RM3.25/AUD1.00) at the reporting date.

The Group has secured a Commodity Murabahah Financing-i (Islamic term loan) and bank guarantee facilities of RM160,000,000 and RM18,000,000 respectively to finance the AIRA Residence Project. These facilities are secured by third-party first legal charge over an investment property and a corporate guarantee by a subsidiary company of the Group. The loan bears interest ranging from 3.93% to 4.15% per annum.

## 8. Derivatives

The Group has the following derivative agreement to hedge against interest rate risk:

| Type of Derivatives | Notional Value<br>as at 30.4.2018<br>AUD '000 | Notional Value<br>as at 30.4.2018<br>RM '000 | Fair Value<br>as at 30.4.2018<br>AUD '000 | Fair Value<br>as at 30.4.2018<br>RM '000 |
|---------------------|---|--|---|--|
| Interest rate swap  |   |  |   |  |
| Less than 1 year    | 20,000  | 59,164                                       | 65  | 192                                      |
| 1 to 3 years        | 20,000  | 59,164                                       | 6   | 17                                       |

The interest rate swap contracts were entered to hedge the exposure to changes in cash flow of the Group arising from the floating rate of the secured term loans denominated in AUD in order to minimise its exposure to the volatility of the interest rate. The market risk associated with the derivative is the potential fluctuation in the fair value arising from the change in interest rates in Australia.

There is no cash requirement for this derivative other than the repayment obligation for the underlying bank borrowings.

There have been no changes since the end of the previous financial year ended 31 October 2017 in respect of the accounting policies.

## 9. Material Litigation

There is no material litigation as at the date of this quarterly report and the financial year to date.

## 10. Dividend

The Board of Directors does not recommend any dividend for the current quarter ended 30 April 2018.

## 11. Earnings/(Loss) Per Share

|  | INDIVIDUAL QUARTER                   |   | CUMULATIVE QUARTER                      |  |
|--|--------------------------------------|---|---|--|
|  | Current Year<br>Quarter<br>30.4.2018 | Preceding Year<br>Corresponding<br>Quarter<br>30.4.2017 | Current<br>Year To<br>Date<br>30.4.2018 | Preceding Year<br>Corresponding<br>Period Ended<br>30.4.2017 |
| Net profit/(loss) for the period attributable to shareholders of the parent (RM'000) | 6,631                                | 8,600   | (34,305)                                | 52,646   |
| Number of ordinary shares in issue ('000)  | 343,617                              | 343,617   | 343,617                                 | 343,617  |
| Basic earnings/(loss) per share (sen)  | 1.93                                 | 2.50  | (9.98)                                  | 15.32  |
| Diluted earnings/(loss) per share (sen)  | 1.93                                 | 2.50  | (9.98)                                  | 15.32  |

## 12. Additional Disclosures

Notes to the Statement of Comprehensive Income comprises:-

|  | INDIVIDUAL QUARTER                             |   | CUMULATIVE QUARTER                                |  |
|--|--|---|---|--|
|  | Current Year<br>Quarter<br>30.4.2018<br>RM'000 | Preceding Year<br>Corresponding<br>Quarter<br>30.4.2017<br>RM'000 | Current<br>Year To<br>Date<br>30.4.2018<br>RM'000 | Preceding Year<br>Corresponding<br>Period Ended<br>30.4.2017<br>RM'000 |
| Interest income  | 2,367  | 3,255   | 3,871   | 6,498  |
| Dividend income  | 1,666  | 4,532   | 5,171   | 6,326  |
| Distribution income from unit trusts   | 453  | 776   | 1,286   | 1,740  |
| Gain on disposal of:   |  |   |   |  |
| - unquoted investments   | 773  | 774   | 2,185   | 1,996  |
| - property, plant and equipment  | 34   | -   | 34  | -  |
| Foreign exchange gains/(losses)  | (945)  | (12,501)  | (53,782)  | 27,253   |
| Interest expense   | (3,799)  | (3,055)   | (5,207)   | (6,271)  |
| Depreciation of property, plant and equipment                                  | (991)  | (919)   | (1,889)   | (1,786)  |
| Fair value changes of financial assets<br>at fair value through profit or loss | (9,328)  | 7,250   | (11,512)  | (76)   |

Other than as disclosed above, there was no amortisation, provision for, and write off, of receivables and inventories, gain or loss on disposal of quoted investments, impairment of assets, gain or loss on derivatives and exceptional item for the current quarter.