

Condensed consolidated interim financial statements

For the six-month period ended 31 July 2014

Condensed consolidated statement of profit or loss and other comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		31 July 2014 Unaudited RM'000	31 July 2013 Unaudited RM'000	31 July 2014 Unaudited RM'000	31 July 2013 Unaudited RM'000
Revenue		75,039	82,945	139,902	167,633
Cost of sales		(61,810)	(67,776)	(115,421)	(137,895)
Gross profit		13,229	15,169	24,481	29,738
Interest income		348	229	1,187	504
Dividend income		33	29	46	43
Other gains and losses		(1,286)	(363)	728	(6)
Administrative expenses		(304)	(543)	(675)	(1,306)
Distribution costs		(248)	(291)	(649)	(918)
Other operating expenses		(3,910)	(5,943)	(8,460)	(12,118)
Finance costs		(590)	(495)	(1,039)	(983)
Share of results of associate		1,209	582	1,567	1,348
Profit before tax	8	8,481	8,374	17,186	16,302
Income tax expense	9	(2,384)	(3,259)	(4,616)	(5,650)
Profit for the period, net of tax, attributable to the owners of the Company		6,097	5,115	12,570	10,652
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange translation		4,231	1,628	(824)	(2,710)
Net fair value loss on cash flow hedge		(539)	-	(247)	-
		3,692	1,628	(1,071)	(2,710)
Items that will not be reclassified subsequently to profit or loss:					
Gain on revaluation of properties		28,169	-	28,169	-
Other comprehensive income/(loss) for the period, net of tax		31,861	1,628	27,098	(2,710)
Total comprehensive income for the period, net of tax, attributable to the owners of the Company		37,958	6,743	39,668	7,942
Earnings per share attributable to the owners of the Company (sen):					
Basic	10	2.0	1.7	4.2	3.5
Diluted	10	2.0	1.7	4.2	3.5

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated interim financial statements
For the six-month period ended 31 July 2014
Condensed consolidated statement of financial position

		31 July 2014	31 January 2014
	Note	Unaudited RM'000	Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	11	121,876	92,335
Goodwill	12	876	876
Other intangible assets	13	693	297
Investment in associate		24,896	23,683
Deferred tax assets		2,234	2,254
		<u>150,575</u>	<u>119,445</u>
Current assets			
Inventories	14	36,817	32,182
Trade and other receivables		113,854	143,748
Tax recoverable		-	80
Investment securities	15	3,096	2,272
Cash and bank balances	16	178,040	210,680
		<u>331,807</u>	<u>388,962</u>
Total assets		<u>482,382</u>	<u>508,407</u>
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	17	112,654	112,654
Share premium	17	2,093	2,093
Retained earnings		146,165	142,607
Properties revaluation reserve		28,169	-
Cash flow hedging reserve		(1,956)	(1,709)
Foreign currency translation reserve		(9,274)	(8,450)
Total equity		<u>277,851</u>	<u>247,195</u>
Non-current liabilities			
Loans and borrowings	18	7,502	8,391
Deferred tax liabilities		3,125	1,644
		<u>10,627</u>	<u>10,035</u>
Current liabilities			
Trade and other payables		155,544	235,977
Loans and borrowings	18	34,945	8,656
Other financial liabilities	15	577	2,628
Tax liabilities		2,838	3,916
		<u>193,904</u>	<u>251,177</u>
Total liabilities		<u>204,531</u>	<u>261,212</u>
Total equity and liabilities		<u>482,382</u>	<u>508,407</u>

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated interim financial statements
For the six-month period ended 31 July 2014
Condensed consolidated statement of changes in equity

		Attributable to the owners of the Company						
		Non-Distributable				Distributable		
	Note	Share capital RM'000	Share premium RM'000	Properties revaluation reserve RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 February 2013		112,651	2,092	-	-	(2,108)	120,762	233,397
Total comprehensive income		-	-	-	-	(2,710)	10,652	7,942
Dividends	20	-	-	-	-	-	(7,604)	(7,604)
Issue of ordinary shares pursuant to employee share option scheme		3	1	-	-	-	-	4
At 31 July 2013		112,654	2,093	-	-	(4,818)	123,810	233,739
At 1 February 2014		112,654	2,093	-	(1,709)	(8,450)	142,607	247,195
Total comprehensive income		-	-	28,169	(247)	(824)	12,570	39,668
Dividends	20	-	-	-	-	-	(9,012)	(9,012)
At 31 July 2014		112,654	2,093	28,169	(1,956)	(9,274)	146,165	277,851

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated interim financial statements
For the six-month period ended 31 July 2014
Condensed consolidated statement of cash flows

	6 months ended	
	31 July 2014	31 July 2013
	Unaudited	Unaudited
Note	RM'000	RM'000
<u>Operating activities</u>		
Profit before tax	17,186	16,302
Adjustments for:		
Interest income	(1,187)	(504)
Finance costs	1,039	983
Gain on disposal of property, plant and equipment	11 (25)	(89)
Loss/(gain) on disposal of investment securities	40	(107)
Net fair value gain on held for trading investment securities	(444)	(89)
Amortisation of other intangible assets	13 43	40
Depreciation of property, plant and equipment	1,791	1,702
Net unrealised loss/(gain) on foreign exchange	199	(374)
Share of results of associate	(1,567)	(1,348)
Net unrealised gain arising on financial liabilities designated as at fair value through profit or loss	(889)	-
Other non-cash adjustments	(46)	(43)
Total adjustments	(1,046)	171
Operating cash flows before changes in working capital	16,140	16,473
Changes in working capital:		
(Increase)/decrease in inventories	(4,658)	7,959
Decrease/(increase) in trade and other receivables	29,385	(27,673)
Decrease in trade and other payables	(90,354)	(2,848)
Total changes in working capital	(65,627)	(22,562)
Interest income received	1,187	504
Interest paid	(1,163)	(1,454)
Income tax paid	(5,613)	(5,609)
Net cash used in operating activities	(55,076)	(12,648)
<u>Investing activities</u>		
Purchase of property, plant and equipment	(1,401)	(151)
Proceeds from disposal of property, plant and equipment	55	89
Acquisition of other intangible assets	(439)	-
Acquisition of investment securities	(1,974)	(1,324)
Proceeds from disposal of investment securities	1,379	773
Others	46	42
Net cash used in investing activities	(2,334)	(571)
<u>Financing activities</u>		
Drawdown/(repayment) of bank borrowings	15,491	(9,456)
Proceeds from exercise of ESOS	-	4
Net cash generated from/(used in) financing activities	15,491	(9,452)
Net change in cash and cash equivalents	(41,919)	(22,671)
Effect of foreign exchange rate changes	(126)	(856)
Cash and cash equivalents at 1 February	209,880	117,835
Cash and cash equivalents at 31 July*	167,835	94,308
* Cash and cash equivalents comprise the following at 31 July:		
Cash and bank balances	178,040	95,445
Bank overdrafts	(10,205)	(1,137)
Total cash and cash equivalents	167,835	94,308

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2014

1 Corporate information

George Kent (Malaysia) Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad ("Bursa").

These condensed consolidated interim financial statements were approved by the Board of Directors on 17 September 2014.

2 Basis of preparation

These condensed consolidated interim financial statements, for the period ended 31 July 2014, have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standard Board and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 January 2014.

The consolidated financial statements of the Group for the financial year ended 31 January 2014 are available upon request from the Company's registered office at Lot 1115, Batu 15, Jalan Dengkil, 47100 Puchong, Selangor Darul Ehsan.

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 January 2014.

3 Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 January 2014, except the following:

(a) Property, plant and equipment

During the current interim period, the Group has elected to measure the properties using the revaluation model under MFRS 116 Property, Plant and Equipment. Accordingly, the financial impact is as follows:

- an increase of RM662,000, RM166,000 and RM496,000 for building on freehold land was recognised in property, plant and equipment, deferred tax liabilities and properties revaluation reserve respectively as of 31 July 2014;
- an increase of RM26,300,000, RM1,315,000 and RM24,985,000 for freehold land was recognised in property, plant and equipment, deferred tax liabilities and properties revaluation reserve respectively as of 31 July 2014;
- an increase of RM1,903,000 for long-term leasehold building was recognised in property, plant and equipment and properties revaluation reserve respectively as of 31 July 2014; and
- an increase of RM785,000 for long-term leasehold land was recognised in property, plant and equipment and properties revaluation reserve respectively as of 31 July 2014.

The properties are stated at their revalued amount, being fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2014

3 Significant accounting policies (continued)

(b) Adoption of the Amendments to MFRSs:

Effective for financial periods beginning on or after 1 January 2014

- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
- Amendments to MFRS 132: Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)
- Amendments to MFRS 136: Impairment of Assets (Amendments relating to Recoverable Amounts Disclosures for Non-Financial Assets)
- Amendments to MFRS 139: Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting)

The Directors expect that the adoption of the above Amendments to MFRSs will not result in any significant changes in the accounting policies and will not have any significant effect on the financial position, results and disclosures in the financial statements of the Group and the Company in the period of initial application.

4 Changes in estimates

There were no changes in estimates that have had a material effect in the current interim results.

5 Changes in composition of the Group

There were no significant changes in the composition of the Group during the current interim period.

6 Segment information

Segment information is presented in respect of the Group's operating segments. The activities within each of these segments are explained below:

(a) Manufacturing and Trading

Manufacturing and Trading comprises mainly revenue derived from the production, marketing and trading of water related product and services.

(b) Construction

Construction comprises mainly revenue derived from the execution of construction contracts.

(c) Infrastructure Investment

Infrastructure Investment comprises mainly income derived from investments in infrastructure.

There has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2014

6 Segment information (continued)

	Manufacturing and Trading RM'000	Construction RM'000	Infrastructure Investment RM'000	Others RM'000	Adjustments and eliminations RM'000	Per condensed consolidated financial statements RM'000
Current quarter						
3 months period ended 31 July 2014						
Revenue:						
External customers	26,603	44,202	4,234	-	-	75,039
Results:						
Interest income	2	-	18	75	253	348
Depreciation and amortisation	668	48	41	-	201	958
Share of results of associate	-	-	1,209	-	-	1,209
Segment profit (Note A)	5,580	3,854	2,870	(1,836)	(1,987)	8,481
3 months period ended 31 July 2013						
Revenue:						
External customers	28,955	49,341	4,649	-	-	82,945
Results:						
Interest income	-	-	27	83	119	229
Depreciation and amortisation	548	40	45	-	313	946
Share of results of associate	-	-	582	-	-	582
Segment profit (Note A)	3,547	5,979	2,334	(1,536)	(1,950)	8,374
Cumulative quarter						
6 months period ended 31 July 2014						
Revenue:						
External customers	48,854	82,876	8,172	-	-	139,902
Results:						
Interest income	2	-	36	157	992	1,187
Depreciation and amortisation	1,250	95	73	-	416	1,834
Share of results of associate	-	-	1,567	-	-	1,567
Segment profit (Note A)	9,635	7,727	4,365	(380)	(4,161)	17,186
6 months period ended 31 July 2013						
Revenue:						
External customers	57,648	100,899	9,086	-	-	167,633
Results:						
Interest income	-	-	58	177	269	504
Depreciation and amortisation	1,058	85	78	-	521	1,742
Share of results of associate	-	-	1,348	-	-	1,348
Segment profit (Note A)	6,171	10,622	5,393	(1,100)	(4,784)	16,302

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2014

6 Segment information (continued)

Note A

The following items are deducted from segment profit to arrive at "Profit before tax" presented in the consolidated statement of profit or loss and other comprehensive income:

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31 July	31 July	31 July	31 July
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Finance costs	(590)	(495)	(1,039)	(983)
Unallocated corporate expenses	(1,397)	(1,433)	(3,122)	(3,801)
	<u>(1,987)</u>	<u>(1,928)</u>	<u>(4,161)</u>	<u>(4,784)</u>

Manufacturing and Trading

Revenue of RM26.60 million for the current quarter ended 31 July 2014 is 8% lower compared to RM28.96 million for the corresponding quarter in 2013. However, segment profit of RM5.58 million for the current quarter ended 31 July 2014 is 57% higher as compared to RM3.55 million for the corresponding quarter in 2013 mainly due to lower operating expenses in current quarter.

Revenue of RM48.85 million for the current period ended 31 July 2014 is 15% lower compared to RM57.65 million for the corresponding period in 2013. However, segment profit of RM9.64 million for the current period ended 31 July 2014 is 56% higher as compared to RM6.17 million for the corresponding period in 2013 mainly due to lower operating expenses in current period.

Construction

Revenue of RM44.20 million for the current quarter ended 31 July 2014 is 10% lower as compared to RM49.34 million for the corresponding quarter in 2013. This lower revenue is mainly due to the completion of the Panching Water Treatment Plant project in the previous quarter ended 31 January 2014. Correspondingly, segment profit of RM3.85 million for the current quarter ended 31 July 2014 is 36% lower as compared to RM5.98 million for the corresponding quarter in 2013.

Revenue of RM82.88 million for the current period ended 31 July 2014 is 18% lower as compared to RM100.90 million for the corresponding period in 2013. This lower revenue is mainly due to the completion of the Pahang Selangor Raw Water Transfer project in the current quarter ended 31 July 2014 and Panching Water Treatment Plant project in the previous quarter ended 31 January 2014. Correspondingly, segment profit of RM7.73 million for the current period ended 31 July 2014 is 72% lower as compared to RM10.62 million for the period ended 31 July 2013. Gross profit margin is slightly lower due to higher weightage on revenue from certain projects with relatively lower profit margin.

Infrastructure Investment

Segment profit of RM2.87 million for the current quarter ended 31 July 2014 is 23% higher compared to RM2.33 million for the corresponding quarter in 2013 mainly due to higher share of results of an associate.

Segment profit of RM4.37 million for the current period ended 31 July 2014 is 19% lower compared to RM5.39 million for the corresponding period in 2013 mainly due to lower exchange rate of the Kina in relation to the Ringgit and lower gross profit margin caused by higher pump running cost of the water treatment plant.

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2014

6 Segment information (continued)

Consolidated revenue

The operations for the Group are mainly based in Malaysia, with the regional activities in the ASEAN countries and Papua New Guinea. Its core businesses are centred in the water industry and engineering works. The main factors which have affected the Group's revenue have been stated above.

Consolidated profit before tax

The Group's current quarter profit before tax of RM8.48 million (31 July 2013: RM8.37 million) is marginally higher by 1%. The main factors which have affected the Group's profit before tax have been stated above.

7 Seasonality of operations

The Group's performance was not affected by any significant seasonal or cyclical factors.

8 Profit before tax

Included in the profit before tax are the following items:

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31 July	31 July	31 July	31 July
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest income	(348)	(229)	(1,187)	(504)
Other income (including investment income)	228	(314)	228	(336)
Finance costs	590	495	1,039	983
Depreciation of property, plant and equipment	935	926	1,791	1,702
Amortisation of other intangible assets	23	20	43	40
(Gain)/loss on disposal of investment securities	(9)	(20)	40	(107)
Gain on disposal of property, plant and equipment	(25)	-	(25)	(89)
Net fair value (gain)/loss on held for trading investment securities	(183)	60	(444)	(89)
Loss/(gain) arising on financial liabilities designated as at FVTPL				
- realised	71	-	336	-
- unrealised	(256)	-	(889)	-
(Gain)/loss on foreign exchange:				
- realised	(44)	773	595	995
- unrealised	2,115	(285)	199	(374)

9 Income tax expenses

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31 July	31 July	31 July	31 July
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current Tax:				
Malaysian income tax	1,890	2,026	3,379	3,140
Foreign tax	494	1,233	1,237	2,510
	2,384	3,259	4,616	5,650

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2014

9 Income tax expenses (continued)

Domestic income tax is calculated at the Malaysian statutory rate of 25% of the estimated assessable profit. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective rate for the current period was slightly higher than the statutory rate principally due to withholding tax paid for dividend declared and paid/payable by a foreign subsidiary.

10 Earnings Per Share

Basic earnings per share amounts are calculated by dividing profit for the period, net of tax attributable to owners by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing profit for the period, net of tax attributable to owners by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of ordinary shares that would be issued on the conversion of the dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of basic and diluted earnings per share:

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	31 July 2014	31 July 2013	31 July 2014	31 July 2013
Profit net of tax attributable to owners used in computation of earnings per share (RM'000)	6,097	5,115	12,570	10,652
Weighted average number of ordinary shares in issue ('000)	300,410	300,405	300,410	300,404
Effects of dilution				
- Share options ('000)	-	80	-	72
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	300,410	300,485	300,410	300,476
Basic earnings per share (sen)	2.0	1.7	4.2	3.5
Diluted earnings per share (sen)	2.0	1.7	4.2	3.5

11 Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 July 2014, the Group acquired assets at a cost of RM1.9 million (31 July 2013: RM0.35 million).

Assets with carrying amount of RM30,000 (31 July 2013: Nil) were disposed of by the Group during the six months period ended 31 July 2014, resulting in a gain on disposal of RM25,000 (31 July 2013: RM89,000), recognised and included in other operating income in the statement of profit or loss and other comprehensive income.

12 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Impairment is assessed whenever there is an indication that the intangible asset may be impaired.

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2014

13 Other intangible assets

	Deferred Develop- ment costs RM'000	Computer software RM'000	Project Develop- ment costs RM'000	Total RM'000
Cost:				
At 1 February 2014	-	303	980	1,283
Addition	358	81	-	439
At 31 July 2014	358	384	980	1,722
Accumulated amortisation:				
At 1 February 2014	-	252	734	986
Amortisation	-	18	25	43
At 31 July 2014	-	270	759	1,029
Carrying amount:				
At 1 February 2014	-	51	246	297
At 31 July 2014	358	114	221	693

Deferred development costs

Deferred development costs, considered to have finite useful lives, are stated at cost less any accumulated impairment losses and are amortised over the period of expected benefit from the related project on a straight-line basis.

Computer software

Computer software is stated at cost less any accumulated impairment losses and amortised on a straight-line basis over the estimated economic useful lives at the annual rate of 20%. The amortisation of computer software is included in administrative expenses in the statement of profit or loss and other comprehensive income.

Project development costs

Project development costs, considered to have finite useful lives, are stated at cost less any accumulated impairment losses and are amortised using the straight-line basis from the commencement of the contract to which they relate over the period of their expected benefit not exceeding 20 years. The amortisation of project development costs is included in administrative expenses in the statement of profit or loss and other comprehensive income.

14 Inventories

During the six months ended 31 July 2014, there was no inventory write-down (31 July 2013: Nil).

15 Fair value hierarchy

The Group used the following hierarchy for determining the fair value of all instruments carried at fair value:

- Level 1 - Quoted price (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Input that are based on observable market data
- Level 3 - Input that are not based on observable market data

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2014

15 Fair value hierarchy (continued)

As at the reporting date, the Group held the following assets/(liabilities) that are measured at fair value:

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 July 2014				
Financial assets held for trading:				
- Quoted shares	3,096	3,096	-	-
Derivatives that are designated and effective as hedging instrument carried at fair value:				
- Foreign currency forward contracts	(547)	-	(547)	-
Financial liabilities carried at FVTPL:				
- Foreign exchange option contracts	(30)	-	(30)	-
Non-financial assets:				
- Building on freehold land	19,935	-	-	19,935
- Freehold land	80,365	-	-	80,365
- Long-term leasehold building	1,948	-	-	1,948
- Long-term leasehold land	909	-	-	909
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At 31 January 2014				
Financial assets held for trading				
- Quoted shares	2,272	2,272	-	-
Derivatives that are designated and effective as hedging instrument carried at fair value:				
- Foreign currency forward contracts	(1,709)	-	(1,709)	-
Financial liabilities carried at FVTPL:				
- Foreign exchange option contracts	(919)	-	(919)	-
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16 Cash and bank balances

Cash and cash equivalents comprised the following amounts:

	31 July 2014 RM'000	31 January 2014 RM'000
Cash on hand and at banks	97,486	77,795
Short term deposits	80,554	132,885
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	178,040	210,680

17 Share capital, share premium and treasury shares

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current interim period.

18 Interest-bearing loans and borrowings

	31 July 2014 RM'000	31 January 2014 RM'000
Secured		
Short term borrowings	34,945	8,656
Long term borrowings	7,502	8,391
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	42,447	17,047

19 Provisions for costs of restructuring

Not applicable.

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2014

20 Dividends

On 31 July 2014, Shareholders of the Company had approved the final single-tier dividend of 4.0 sen per share for the financial year ended 31 January 2014 (FY2013: 4.5 sen less 25% tax). The dividend was paid on 26 August 2014, amounted to RM9.012 million. The dividend for the financial year ended 31 January 2014 total RM15.772 million, an increase of 44% as compared to RM10.984 million in the preceding year.

The Directors have declared an interim single-tier dividend of 2.0 sen (FY2014: 2.0 sen less 25% tax per share) amounting to RM6.008 million (FY2014: RM3.380 million) for the financial year ending 31 January 2015.

The dividend will be paid on 31 October 2014 to shareholders whose names appear in the Register of Members and/or Record of Depositors on 9 October 2014.

21 Commitments

Capital expenditure as at the reporting date is as follows:

	31 July 2014 RM'000	31 January 2014 RM'000
Approved and contracted for:		
Property, plant and equipment	313	523
Approved but not contracted for:		
Property, plant and equipment	15	35

22 Contingencies

The Group does not have any material contingent liabilities or contingent assets.

23 Related party transactions

The Group had the following transactions with related parties during the six months period ended 31 July:

	Cumulative quarter 6 months ended	
	31 July 2014 RM'000	31 July 2013 RM'000
Related companies: *		
Rental income for motor vehicle	6	6
Purchase of air tickets	121	187
Professional and share registration charges	64	43
Sale of products	-	4,062

* Related companies are companies within the Johan Holdings Berhad group.

24 Events after the reporting period

On 29 August 2014, bonus shares of 75,102,542 new ordinary shares of RM0.50 each in the Company have been credited as fully paid-up on the basis of one bonus share for every three existing shares. Accordingly, the earnings per share figures have been adjusted retrospectively to enable a fair comparison.

Save as disclosed above, there were no material event subsequent to the end of current interim period.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:
Chapter 9, Appendix 9B, Part A
For the six-month period ended 31 July 2014**

25 Performance review

Explanatory comment on the performance of each of the Group's business activities is provided in Note 6.

26 Comment on material change in profit before taxation

The profit before taxation for the current quarter ended 31 July 2014 is 3% lower than the preceding quarter due to lower revenue and profit which was attributed to project related works.

27 Commentary on prospects

We will continue to implement the strategies set by the Board, one of which is to grow the top line of the Group by increasing the order book. We will also continue to enhance the capability, efficiency and productivity of the manufacturing facilities.

The Board is optimistic of the Group's prospects for the financial year ending 31 January 2015.

28 Commentary on progress to achieve revenue or profit estimate, forecast, projection or internal targets

Not applicable.

29 Statement by directors on achievability of revenue or profit estimate, forecast, projection or internal targets

Not applicable.

30 Profit forecast or profit guarantee

Not applicable.

31 Corporate proposals

There were no corporate proposals announced but not completed as at the date of issue of these interim financial statements.

32 Changes in material litigation

There are no outstanding litigations except for a suit to seek damages from a company for infringement of copyright.

33 Dividend payable

Please refer to Note 20 for details.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:
Chapter 9, Appendix 9B, Part A
For the six-month period ended 31 July 2014**

34 Derivative financial instruments

Details of derivative financial instruments outstanding as at 31 July 2014 measured at their fair values together with their corresponding contract/notional amounts classified by the remaining period of maturity are as follows:

Types of derivatives	Contract/notional values RM'000	Net fair value liabilities RM'000	Maturity
At 31 July 2014			
Foreign exchange contracts	27,138	26,561	Less than 1 year
At 31 January 2014			
Foreign exchange contracts	98,524	95,896	Less than 1 year

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's payables denominated in currencies other than the functional currencies of the Company. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

35 Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any gains/losses arising from fair value changes of financial liabilities as at 31 July 2014 and 31 January 2014.

36 Breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group as at 31 July 2014 and 31 January 2014 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement, as issued by the Malaysian Institute of Accountants.

	Current quarter ended 31 July 2014 RM'000	Previous financial year ended 31 January 2014 RM'000
Total (accumulated losses)/retained earnings of the Company and its subsidiaries		
- Realised	(50,924)	(52,053)
- Unrealised	44,026	43,161
	<u>(6,898)</u>	<u>(8,892)</u>
Total share of profits/(losses) from associate		
- Realised	31,195	30,730
- Unrealised	5	(1,096)
	<u>24,302</u>	<u>20,742</u>
Add: Consolidation adjustments	121,863	121,865
Retained earnings as per financial statements	<u>146,165</u>	<u>142,607</u>



**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:
Chapter 9, Appendix 9B, Part A
For the six-month period ended 31 July 2014**

37 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 January 2014 was not qualified.

BY ORDER OF THE BOARD

TEH YONG FAH
(MACS00400)

Company Secretary
17 September 2014