

KUMPULAN EUROPLUS BERHAD (534368-A)

Interim financial report for the forth quarter ended 31 January 2013

(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

PART A – Explanatory Notes Pursuant to MFRS 134

A1. Basis of Preparation

The unaudited quarterly consolidated financial statements has been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Bursa Securities Listing Requirements”) and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 January 2012 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 January 2012.

A2. Accounting policies and methods of computation

The significant accounting policies and methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 January 2012 except for the first-time adoption of MFRS Framework.

The Group has adopted the new MFRS Framework issued by the Malaysian Accounting Standards Board (“MASB”) with effect from 1 January 2012. This MFRS Framework comprises International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

In the transition to the MFRS Framework, the Group has applied MFRS 1 “First-time Adoption of MFRS” which provides certain optional exceptions and certain mandatory exceptions for the first time MFRS adopters. Save for the required presentation of three statements of financial position in the first MFRS financial statements, there is no other significant impact on the Group’s financial results and position, and changes to the accounting policies of the Group arising from the adoption of this MFRS Framework as the requirements under the previous Financial Reporting Standards (“FRS”) Framework were equivalent to the MFRS Framework, although there are some differences in relation to the transitional provisions and effective dates contain in certain of the MFRSs.

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MFRSs and Amendments to the MFRSs that are applicable to the Group but not yet effective

The Group has not early adopted the following standards that have been issued by Malaysian Accounting Standards Board as these are effective for the financial period beginning on or after 1 January 2013

- MFRS 9 Financial Instruments (effective from 1 January 2015)
- MFRS 10 Consolidated Financial Statements (effective from 1 January 2013)
- MFRS 12 Disclosure of Interests on Other Entities (effective from 1 January 2013)
- MFRS 13 Fair Value Measurement (effective from 1 January 2013)
- MFRS 119 Employee Benefits (effective from 1 January 2013)
- MFRS 127 Separate Financial Statements (effective from 1 January 2013)
- Amendments to MFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities (effective from 1 January 2013)
- Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income (effective from 1 July 2012)
- Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities (effective from 1 January 2014)

The directors do not anticipate that the application of the new MFRSs when they are effective, will have a material impact on the results and the financial position of the Group.

A3. Seasonality or Cyclicity of Operations

The business operations of the Group are not affected by any material seasonal or cyclical factors.

A4. Unusual Items

There were no unusual items that have material effects on the assets, liabilities, equity, net income, or cash flows for the current financial year-to-date other than those mentioned in Note B1.

A5. Material Changes in Estimates

There was no change to estimates that has a material effect in the current year quarter and current financial year-to-date.

A6. Debt and Equity Securities

There were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the current year quarter and current financial year-to-date.

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A7. Dividend

No dividend has been paid in the current financial year-to-date.

A8. Segmental Results

Segmental results are included in Note B1 below.

A9. Material Subsequent Events

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

A10. Changes in the Composition of the Group

As announced in the previous quarter, the Group had on 17 February 2012, purchased 4,590,191 ordinary shares of RM1.00 each representing 15.80% equity interest in West Coast Expressway Sdn. Bhd. (WCE) for a total purchase consideration of RM5,336,097-00. Together with 18,649,046 ordinary shares of RM1.00 each (64.20%) held by KEURO, KEURO now holds 80% equity interest in WCE.

A11. Contingent Liabilities

Keuro Leasing Sdn Bhd (KLSB), a wholly-owned subsidiary was indebted to Bangkok Bank Berhad (BBB) for an amount of RM5.77 million. The bank borrowing was secured against a piece of development land of 74.53 acres in Sepang, Selangor (the Land) which belongs to an Associate company, Trinity Corporation Berhad (Trinity). The Land, valued at RM48.70 million, was part and parcel of properties sold by Trinity to a creditor under an agreement entered into on March 2010. Despite its awareness of this agreement, BBB, had on 7 September 2010, proceeded to auction the Land to a purchaser for RM15 million, thus giving rise to a potential loss of RM33.70 million to KLSB, should Trinity be unsuccessful in recovering the Land which is currently being pursued vigorously through court actions taken against purchaser for auction done in bad faith and, against BBB, for having wrongfully auctioned the Land.

Based on counsel's advice, the Board believes Trinity has a reasonably good and valid claim in the legal actions being taken.

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NOTES TO CONDENSED FINANCIAL STATEMENTS**PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****B1. Review of Performance****(a) Segmental Information**

<u>Segmental Revenue</u>	<u>Current quarter</u>				<u>Cumulative quarters</u>			
	<u>2013</u> RM'000	<u>2012</u> RM'000	<u>Changes</u>		<u>2013</u> RM'000	<u>2012</u> RM'000	<u>Changes</u>	
			RM'000	%			RM'000	%
Manufacturing and trading of industrial products	3,373	3,253	120	4	13,351	12,901	450	3
Construction	991	1,817	(826)	(45)	4,506	6,318	(1,812)	(29)
Investment holding, management services and leasing	-	(104)	104	100	-	556	(556)	(100)
	<u>4,364</u>	<u>4,966</u>	<u>(602)</u>	<u>(12)</u>	<u>17,857</u>	<u>19,775</u>	<u>(1,918)</u>	<u>(10)</u>

<u>(Loss)/Profit before tax</u>	<u>Current quarter</u>				<u>Cumulative quarters</u>			
	<u>2013</u> RM'000	<u>2012</u> RM'000	<u>Changes</u>		<u>2013</u> RM'000	<u>2012</u> RM'000	<u>Changes</u>	
			RM'000	%			RM'000	%
Manufacturing and trading of industrial products	303	3,976	(3,673)	(92)	551	5,142	(4,591)	(89)
Construction	(494)	(1,214)	720	59	1,867	(20,546)	22,413	109
Investment holding, management services and leasing	(12,480)	20,312	(32,792)	(161)	(24,265)	44,114	(68,379)	(155)
	<u>(12,671)</u>	<u>23,074</u>	<u>(35,745)</u>	<u>(155)</u>	<u>(21,847)</u>	<u>28,710</u>	<u>(50,557)</u>	<u>(176)</u>

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(b) Overall Results Commentary:

For the quarter:

The Group recorded a revenue of RM4.36 million which is a decrease of 12% compared with the revenue of RM4.96 million due to completion of certain construction projects. The Group recorded a pre-tax loss of RM12.67 million, compared to a pre-tax profit of RM23.07 million recorded in the preceding year quarter mainly due to provision for doubtful debts of RM5.42 million and share of losses in associates of RM1.85 million, whilst the preceding year quarter result includes a waiver of debt by a creditor and gain on accretion of shares in an associate.

For the year-to-date:

The Group recorded a revenue of RM17.86 million which is a decrease of 10% compared to the revenue of RM19.78 million recorded in preceding financial year mainly due to completion of certain construction projects. The Group recorded a pre-tax loss of RM21.85 million compared to the pre-tax profit of RM28.71 million in the preceding financial year mainly as a result of provision for doubtful debts of RM3.71 million and share of losses in associates of RM8.64 million, whilst the preceding financial year result is mainly due to waiver of debt by a creditor, gain on redemption of financial instruments and gain on accretion of shares in an associate.

(c) Segmental Results Commentary:

i) Manufacturing and trading of industrial products:

For the quarter:

Revenue of the division increased by 4% due to a slight increase in volume of production and sales as compared to the preceding year quarter. Conversely, the profit for the preceding year quarter was higher mainly due to a waiver of debt by a creditor amounting to RM5.07 million.

For the year-to-date:

Revenue of the division increased by 3% as compared to the preceding financial year mainly due to the increase in production and sales. Conversely, the pre-tax profit is lower by 89% when compared to the preceding financial year mainly due to a waiver of debt by a creditor amounting to RM5.07 million in the preceding financial year.

ii) Construction:

For the quarter:

Revenue of the division decreased by RM0.83 million due to completion of certain construction projects. The pre-tax loss was mainly due to rental charges for the current financial year amounting to RM0.34 million.

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For the year-to-date:

Revenue of the division decreased by RM1.81 million due to completion of certain construction projects. The pre-tax profit achieved is mainly due to the reversal of expenses over accrued in prior years amounting to RM2.00 million, whilst the loss for the preceding financial year was mainly due to provision for doubtful debts amounting to RM25.78 million and impairment of leasehold land of RM6.15 million.

iii) Investment holding, Management Services and Leasing:

For the quarter:

There is no revenue from this division for the current year quarter.

The Group recorded a pre-tax loss of RM12.48 million in the current year quarter due to provision for doubtful debts of RM3.60 million and share of losses in associates amounting to RM1.85 million mainly from 30%-owned Trinity Group of RM1.78 million, whilst the result of the preceding year quarter is mainly due to a gain from accretion of shares in an associate.

For the year-to-date:

There is no revenue from this division for the current year.

The Group recorded a pre-tax loss of RM24.27 million in the current year is mainly due to provision for doubtful debts of RM1.88 million, share of losses in 50%-owned Radiant Pillar Sdn Bhd of RM3.05 million and share of losses in 30%-owned Trinity Group of RM5.64 million, whilst the result of the preceding financial year includes gain on redemption of financial instruments and gain from accretion in shares in an associate.

The loss incurred by Radiant Pillar Sdn Bhd which is developing the 1,877 acre Bandar Rimayu project is due to all sales and marketing costs for Phase I of the project being charged out.

B2. Comparison with Preceding Quarter's Results

Overall:

For the current year quarter, the Group achieved a total revenue of RM4.36 million and pre-tax loss of RM12.67 million against revenue of RM4.08 million and pre-tax loss of RM7.18 million in the preceding quarter. The pre-tax loss reported in the current quarter is due to provision for doubtful debts of RM5.42 million, share of losses in associates of RM1.85 million and finance cost of RM3.12 million.

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NOTES TO CONDENSED FINANCIAL STATEMENTS**B3. Prospects**

- (a) West Coast Expressway Sdn. Bhd. (“WCE”), a 80% owned subsidiary of the Company signed the Concession Agreement with the Government of Malaysia on 2 January 2013. The concession involves the development of the west coast expressway from Banting in Selangor to Taiping in Perak with 233 km of toll highway (including 40 km of highway to be constructed later). The Project is a build-operate-transfer (BOT) project with a concession period up to a maximum of 60 years.

Upon implementation of the west coast expressway project in the near future the financial position and earnings of the Company is expected to be enhanced.

- (b) Radiant Pillar Sdn Bhd (RPSB), a 50%-owned associate launched the phase 1 of Bandar Baru Rimbayu in March 2013 through a balloting process where the response was overwhelming. The non-bumiputra units for this phase has been fully sold. This project is also expected to augur well for the Company in the near future.

B4. Profit Forecast and Guarantee

No profit forecast or guarantee was issued in respect of the current financial year.

B5. Taxation

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31/01/2013 RM'000	Preceding Year Quarter 31/01/2012 RM'000	Current Year To-date 31/01/2013 RM'000	Preceding Year To-date 31/01/2012 RM'000
Income Tax				
- current year	227	177	862	804
-prior year	-	74	160	84
	<u>227</u>	<u>251</u>	<u>1,022</u>	<u>888</u>
Deferred Tax				
-current year	-	44	-	44
- prior year	-	12	-	(289)
	<u>-</u>	<u>56</u>	<u>-</u>	<u>(245)</u>
Total	<u>227</u>	<u>307</u>	<u>1,022</u>	<u>643</u>

Income tax provision for the current year is mainly in respect of a manufacturing subsidiary.

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B6. Status of Corporate Proposals

There were no announced corporate proposals which were not completed as at the date of this announcement.

B7. Group Borrowings and Debt Securities

The Group's borrowings and debt securities which are denominated in Ringgit Malaysia as at 31 January 2013 are as follows:

	RM'000
Short term borrowings	
- secured	4,277
- unsecured	20,268
	<hr/> 24,545
Long term borrowings	
- secured	109,004
Total borrowings	<hr/> <hr/> 133,549

B8. Off Balance Sheet Risk Financial Instruments

The Group did not contract for any financial instruments with off balance sheet risk as at the date of this announcement.

B9. Material Litigation

The Group has not engaged in any material litigation since the last annual year end date.

B10. Dividend

No dividend has been declared for the current and preceding financial year.

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NOTES TO CONDENSED FINANCIAL STATEMENTS**B11. Earnings Per Share****Basic**

The basic earnings per share is calculated by dividing the Group's net loss attributable to owners of RM12,900,000 for the current year quarter and RM23,191,000 for the current financial year by the number of ordinary shares in issue as at 31 January 2013 of 520,991,765 shares.

For the preceding year quarter and preceding financial year, the basic earnings per share is calculated by dividing the Group's net profit attributable to owners of RM22,715,000 for the current year quarter and RM27,725,000 by the number of ordinary shares in issue as at 31 January 2012 of 520,991,765 shares.

Diluted

The diluted earnings per share is not calculated as there is no dilutive effect on earnings per share for the current year quarter and current financial year-to-date.

B12. Realised and Unrealised Profit/(Losses)

	As at 31 January 2013 RM'000	As at 31 January 2012 RM'000
Accumulated losses of the Group and its subsidiaries:		
- Realised	(224,563)	(259,645)
- Unrealised	(113)	245
Associated companies:		
- Realised	(223,484)	(162,963)
- Unrealised	(5,554)	(8,160)
Total group accumulated losses	<u>(453,714)</u>	<u>(430,523)</u>

B13. Audit Report

The auditors' report of the financial statements for the year ended 31 January 2012 was not subject to any qualification.

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B14. Authorisation for Issue

The interim financial reports were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 March 2013.

By order of the Board

Raw Koon Beng
Company Secretary