

NOTES TO THE INTERIM FINANCIAL REPORT

1.) **Basis of Preparation and Accounting Policies**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016. The 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 financial year ended 31 December 2016.

The significant accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2016 except for the adoption of the following amendments to Financial Reporting Standards ('FRSs'):

Amendments to FRS 107 Disclosure Initiative

Amendments to FRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to FRS 12 Annual Improvements to FRSs 2014 - 2016 Cycle

Adoption of the abovementioned FRSs did not have any significant impact on the financial statements of the Group in the first quarter of 2017.

On 19 November 2011, the Malaysian Accounting Standards Board ('MASB') issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ('MFRS Framework'). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (hereinafter called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework and continue to use the existing FRS Framework. The adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

2.) **Auditors' Report**

The auditors' report on the Group's financial statements for the year ended 31 December 2016 was not qualified.

3.) **Seasonal or Cyclical Factors**

The Group's operations were not significantly affected by any seasonal or cyclical factors.

4.) **Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

In the first quarter of 2017, there were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group.

5.) **Material Changes In Estimates Used**

There were no material changes in the estimates used for the preparation of the interim financial statements.

6.) **Debts and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the first quarter of 2017.

7.) **Dividends Paid**

There were no payment of dividends in the first quarter of 2017.

8.) **Segment Information**

A.) The breakdown of revenue and results by business segment for the period ended 31 March 2017 was as follows:-

	Property RM'000	Construction RM'000	Hotel RM'000	Corporate RM'000	Eliminations RM'000	Total RM'000
Revenue						
External customers	683	18,997	5,448	-	-	25,128
Inter-segment	-	-	-	690	(690)	-
Total revenue	683	18,997	5,448	690	(690)	25,128
Results						
Segment results	(659)	(8,781)	(1,182)	(720)	(690)	(12,032)
Finance cost						(1,293)
Interest income						30
Loss before tax						(13,295)
Income tax expense						1,397
Loss net of tax						(11,898)

B.) The breakdown of revenue and results by business segment for the year ended 31 March 2016 was as follows:-

	Property RM'000	Construction RM'000	Hotel RM'000	Corporate RM'000	Eliminations RM'000	Total RM'000
Revenue						
External customers	718	22,552	5,498	-	-	28,768
Inter-segment	-	-	-	690	(690)	-
Total revenue	718	22,552	5,498	690	(690)	28,768
Results						
Segment results	(1,120)	474	(411)	(1,380)	(690)	(3,127)
Finance cost						(1,265)
Interest income						33
Loss before tax						(4,359)
Income tax expense						168
Loss net of tax						(4,191)

9.) **Valuation of Property, Plant and Equipment**

The valuation of property, plant and equipment have been brought forward without any material amendments from the previous audited financial statements. Any additions to property, plant and equipment are carried at cost.

10.) **Material Events Subsequent to the End of the Interim Period**

There were no material events subsequent to the end of the interim period to the date of this announcement.

11.) Changes in the Composition of the Group

In the first quarter of 2017, there were no changes in the composition of the Group.

12.) Changes in Contingent Liabilities/Assets

The Group has no contingent liabilities/assets in the first quarter of 2017.

13.) Capital Commitments

There were no material capital commitments as at the end of the first quarter of 2017.

14.) Significant Related Party Transactions

The Group has no significant related party transactions in the first quarter of 2017.

**ADDITIONAL INFORMATION REQUIRED
BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS**

I.) Review of Performance - 2017 First Quarter compared to 2016 First Quarter

The revenue for the first quarter of 2017 fell 13% to RM25.13 million from RM28.77 million in the previous year same quarter on lower billing of construction works. Net loss for the first quarter of 2017 came to RM11.90 million compared with loss of RM4.19 million last year same quarter owing mainly to an impairment loss of RM8.21 million on the receivable of a construction client.

In the first quarter of 2017, the construction segment carried out jobs amounted to RM19.00 million, which is RM3.55 million lower than the prior year's quarter of RM22.55 million. The revenue was derived from the progress billings of on-going jobs namely the 121 linked houses at Serene Heights in Bangi, the 70 linked houses at Kota Seriemas in Nilai, the 117 linked houses at Tamansari in Rawang, the 155 linked houses at Bandar Country Homes in Rawang and the foundation works of 2 apartment blocks at Bukit Hartamas in Cheras. Operating result, excluding the impairment loss of RM8.21 million on receivable, was a loss of RM0.49 million compared to profit of RM0.56 million in prior year period due to erosion of profit margin largely on additional defect works.

Revenue from the hotel segment in the first quarter of 2017 was RM5.45 million, almost on par with last year same quarter of RM5.50 million. Revenue from room sales increased by 8% to RM2.60 million this quarter, from RM2.41 million in the prior year period, and food and beverage sales dipped by 8% to RM2.80 million this quarter from RM3.05 million last year. Operating profit of the hotel segment for this quarter rose by 4% to RM0.79 million from RM0.76 million same period last year, reflecting the improvement in room yield in 2017.

II.) Review of 2017 First Quarter against 2016 Fourth Quarter

The Group's revenue of RM25.13 million for the first quarter of 2017 was lower than the preceding quarter of RM39.22 million, due largely to decline in the billing of construction works and the seasonal effect of the hotel segment.

Comparing to a loss of RM8.63 million in the fourth quarter of 2016, the Group posted a higher loss of RM11.90 million in the first quarter of 2017, due to an impairment loss of RM8.21 million on the receivable of a construction client.

III.) Prospects

In view of the difficult business environment coupled with increasing competition face by our hotel segment, the Board of Directors is looking into additional measures on cost control to curb further operating losses. In addition, the Board of Directors is also exploring opportunities to diversify the income source of the Group.

IV.) Profit Forecast or Profit Guarantee

Not applicable as the Group did not publish any profit forecast or profit guarantee.

V.) **Statement of Profit or Loss and Other Comprehensive Income**

	Current Year Quarter 31.3.2017 RM'000	Preceding Year Corresponding Quarter 31.3.2016 RM'000	Current Year ToDate 31.3.2017 RM'000	Preceding Year Corresponding Period 31.3.2016 RM'000
Loss from operations is stated after charging/(crediting):-				
Depreciation and amortisation	3,107	2,377	3,107	2,377
Gain from disposal of property plant and equipment	(4)	-	(4)	-
Impairment loss on receivables	8,209	-	8,209	-
Interest income	(30)	(33)	(30)	(33)

VI.) **Taxation**

	Current Year Quarter 31.3.2017 RM'000	Preceding Year Corresponding Quarter 31.3.2016 RM'000	Current Year ToDate 31.3.2017 RM'000	Preceding Year Corresponding Period 31.3.2016 RM'000
Income tax expense	1,397	168	1,397	168

For the current year, income tax expense relates to overprovision of tax in prior year.

VII.) **Status of Corporate Proposals Announced but Not Completed**

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

VIII.) **Group Borrowings/Debt Securities**

Group borrowings/debt securities as at 31 March 2017 were :-

	Short term RM'000	Long term RM'000
Secured		
- bank overdrafts	5,125	-
- bankers' acceptances	836	-
- term loans	16,750	39,034
- finance lease payables	987	1,439
	<u>23,698</u>	<u>40,473</u>

IX.) **Disclosure of Derivatives**

There are no derivatives as at the date of this announcement.

X.) **Gains/Losses Arising from Fair Value Changes of Financial Liabilities**

There were no gains/losses arising from fair value changes of financial liabilities in the first quarter of 2017.

XI.) Realised and Unrealised Profits/(Losses)

	As At End Of Current Quarter 31.3.2017 RM'000	As At Preceding Financial Year End 31.12.2016 RM'000
Total retained earnings/(accumulated losses) of the Group:		
- Realised	(189,215)	(178,307)
- Unrealised	<u>(3,371)</u>	<u>(3,371)</u>
	(192,586)	(181,678)
Total share of retained loss from associate - realised	<u>(233)</u>	<u>(233)</u>
	(192,819)	(181,911)
Less: Consolidation adjustments	<u>216,598</u>	<u>216,923</u>
	<u>23,779</u>	<u>35,012</u>

XII.) Material Litigation

There were no material litigation as at the end of the first quarter 2017.

XIII. Dividends

The Board of Directors did not recommend or paid any dividend for the first quarter 2017.

XIV. Loss Per Share

The basic loss per share amounts are calculated by dividing the loss net of tax attributable to owners of the parent by the weighted average number of shares in issue. The computation of diluted loss per share is not affected by any other factors.

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31.3.2017	Preceding Year Corresponding Quarter 31.3.2016	Current Year Totdate 31.3.2017	Preceding Year Corresponding Period 31.3.2016
Loss net of tax attributable to owners of the parent (RM'000)	<u>(11,898)</u>	<u>(4,191)</u>	<u>(11,898)</u>	<u>(4,191)</u>
Weighted average number of shares ('000)	<u>342,946</u>	<u>342,946</u>	<u>342,946</u>	<u>342,946</u>
Basic and diluted loss per share (sen)	<u>(3.47)</u>	<u>(1.22)</u>	<u>(3.47)</u>	<u>(1.22)</u>