

INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 JUNE 2018

PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134

A1. Basis of Preparation

The unaudited interim financial report has been prepared in accordance with the reporting requirements as set out in the Financial Reporting Standards (“FRS”) No. 134 - Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 September 2017. 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 financial year ended 30 September 2017.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 30 September 2017.

Malaysian Financial Reporting Standards (MFRS Framework)

Malaysian Accounting Standards Board (“MASB”) has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRSs”), which are to be applied by all entities other than private entities 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 (herein called “transitioning entities”).

As announced by MASB on 28 October 2015, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 30 September 2019. The Group is currently assessing the possible financial impact that may arise from the adoption of MFRSs and the process is still ongoing.

A3. Auditors' Report for the Financial Year Ended 30 September 2017

The auditors' report on the financial statements for the financial year ended 30 September 2017 was not subject to any qualification.

A4. Seasonality or Cyclical Factors

The Group's operations during the financial period under review were not materially affected by any seasonal or cyclical factors.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items that affected the assets, liabilities, equity, net income or cash flows of the Group for the current quarter under review.

A6. Material Changes in Estimates of Amounts

There were no changes in estimates that have had any material effect on the results for the current quarter and current financial year under review.

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A7. Debts and Equity Securities

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the current quarter under review.

A8. Dividends Paid

The company did not pay any dividend for the quarter under review.

A9. Segmental Information

Segmental information of the Group’s business segments are based on the internal reporting structure presented by the management of the Company. The Group’s business segments include property development, construction, investment holding and others.

The information by geographical location is not presented as the Group’s activities are carried out pre-dominantly in Malaysia.

Business Segment Analysis (RM'000)	Quarter ended 30 June 2018				Year to date ended 30 June 2018			
	Property Development	Construction	Investment Holding and Others	Total	Property Development	Construction	Investment Holding and Others	Total
Revenue								
External revenue	117,193	20	155	117,368	373,176	44	464	373,684
Inter-segment revenue	-	43,040	197	43,237	-	94,714	440	95,154
Consolidation adjustments	117,193	43,060	352	160,605	373,176	94,758	904	468,838
Consolidation Revenue				(52,786)				(111,122)
				107,819				357,716
Results from Operation	53,009	4,622	(3,345)	54,286	160,127	9,609	(12,159)	157,577
- Depreciation	(375)	(42)	(316)	(733)	(1,099)	(95)	(840)	(2,034)
- Finance Cost	(434)	(47)	(177)	(658)	(1,094)	(135)	(198)	(1,427)
Consolidation adjustments	52,200	4,533	(3,838)	52,895	157,934	9,379	(13,197)	154,116
Consolidation Profit Before Taxation				(12,785)				(27,418)
				40,110				126,698

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A9. Segmental Information (Cont'd)

Business Segment Analysis (RM'000)	Quarter ended 30 June 2017				Year to date ended 30 June 2017			
	Property Development	Construction	Investment Holding and Others	Total	Property Development	Construction	Investment Holding and Others	Total
Revenue								
External revenue	121,894	-	161	122,055	290,692	-	489	291,181
Inter-segment revenue	-	1,390	7,506	8,896	-	1,390	9,925	11,315
	121,894	1,390	7,667	130,951	290,692	1,390	10,414	302,496
Consolidation adjustments				(8,212)				(12,273)
Consolidation Revenue				122,739				290,223
Results from Operation	38,657	295	5,621	44,573	99,144	290	1,561	100,995
- Depreciation	(206)	-	(197)	(403)	(375)	-	(543)	(918)
- Finance Cost	(428)	-	(4)	(432)	(1,048)	-	(88)	(1,136)
	38,023	295	5,420	47,738	97,721	290	930	98,941
Consolidation adjustments				(2,227)				(7,718)
Consolidation Profit Before Taxation				41,511				91,223

A10. Valuation on Property, Plant and Equipment

There was no valuation done on the Group's property, plant and equipment during the financial period under review.

A11. Material Events Subsequent to the End of the Period

There was no material event subsequent to the end of the current quarter up to the date of this report that has not been reflected in the interim financial statements.

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PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BHD

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review except for the following:-

On 20 August 2018, Sunsuria Arena Sdn Bhd ("SASB"), a wholly-owned subsidiary of the Company has acquired the entire issued shares of Sunsuria City Amenities Sdn Bhd (formerly known as Sunsuria Oride Sdn Bhd) ("SCASB") comprising one (1) ordinary share each from Sunsuria City Sdn Bhd, an indirect subsidiary of the Company with an effective interest of 99.99%, and Sunsuria Gateway Sdn Bhd, being subsidiary of the Company for a total cash consideration sum of RM2.00. The internal reorganisation has been completed and SCASB becomes a wholly-owned subsidiary of SASB, which in turn is a wholly-owned subsidiary of the Company.

A13. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last audited financial position as at 30 September 2017.

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PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BHD

B1. Review of Performance

	3 months ended			9 months ended		
	30/06/2018 RM'000	30/06/2017 RM'000	Changes (RM'000 / %)	30/06/2018 RM'000	30/06/2017 RM'000	Changes (RM'000 / %)
Revenue	107,819	122,739	(14,920) / (12%)	357,716	290,223	67,493 / 23%
Cost of sales	(53,854)	(43,978)	(9,876) / (22%)	(168,258)	(133,699)	(34,559) / (26%)
Gross profit	53,965	78,761	(24,796) / (31%)	189,458	156,524	32,934 / 21%
Profit before taxation	40,110	41,511	(1,401) / (3%)	126,698	91,223	35,745 / 39%
Profit after taxation	33,057	31,610	1,447 / 5%	99,588	67,900	31,688 / 47%
Profit attributable to owners of the Company	25,507	31,903	(6,396) / (20%)	76,740	60,546	16,194 / 27%

Quarterly Results

The revenue for the Group for the current quarter under review was RM107.82million, 12% lower compared to RM122.74million reported in the corresponding quarter in the previous year. In the previous year's corresponding quarter the Group's commercial developments namely Bell Avenue and Jasper Square contributed a total of RM70.5million to the Group's revenue compared to RM4.84million in the current quarter as construction works have been completed substantially and is now awaiting authorities' clearance before handing over of vacant possession to purchasers. The gap in revenue contribution by Bell Avenue and Jasper Square was compensated by the substantial increase in revenue contribution from the Group's residential development namely The Olive, Bell Suites SOHO and Monet Lily, which contributed RM60.20million to the current quarter's revenue compared to RM15.17million by The Olive and Bell Suites SOHO in the corresponding period in the previous year.

The profit before taxation for the current quarter also reduced marginally by 3% to RM40.11million from RM41.51million in the previous year despite the lower revenue reported, mainly due to improved gross profit margin from the development projects in Sunsuria City, Forum 1 and Suria Residence.

Financial Year-to date Results

Year on year, the Group's year to date revenue for the current financial period recorded a 23% increase to RM357.72million as compared to RM290.22million reported in the previous financial period. Profit before taxation also increased by 39% to RM126.70million in the current year to date compared to RM91.22million in the previous financial period. The Group's residential development projects in Sunsuria City namely The Olive, Bell Suites SOHO and Monet Lily contributed substantially to this increase.

B2. Variation of Results against the Preceding Quarter

	Current Quarter 30/06/2018 RM'000	Immediate Preceding Quarter 31/03/2018 RM'000	Changes (RM'000 / %)
Revenue	107,819	139,074	(31,255) / (22%)
Cost of sales	(53,854)	(63,295)	9,441 / (15%)
Gross profit	53,965	75,779	(21,814) / (29%)
Profit before taxation	40,110	48,220	(8,110) / (17%)
Profit after taxation	33,057	36,944	(3,887) / (11%)
Profit after taxation attributable to owners of the company	25,507	30,391	(4,884) / (16%)

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B2. Variation of Results against the Preceding Quarter (Cont'd)

The revenue reported in the current quarter dropped by 22% or RM31.26million to RM107.82million compared to RM139.07million in the preceding quarter. Bell Avenue and the Jasper Square contributed RM45.30million to the Group's revenue in the previous quarter compared to RM4.84million in the current quarter, as work was substantially completed in the preceding quarter. The shortfall was compensated by increases in revenue contribution by The Olive, Bell Suites SOHO and Monet Lily.

Consequently, profit before taxation also decreased by 17% to RM40.11million in the current quarter compared to RM48.22million in the preceding quarter.

B3. Prospects

The abolishment of the Goods and Service Tax and the exemption of construction services and certain building material from the Sales and Service Tax as announced by the Minister of Finance on 12 August 2018 will benefit the property development and construction industries. Although there are no signs yet that demand for new housing will increase significantly in the immediate term, the Group believes that there will always be demand for property development products with unique value propositions. The Group remains optimistic that it will continue to deliver satisfactory results for the current year.

B4. Variance from Profit Forecast and Profit Guarantee

Not applicable as there were no profit forecast and profit guarantee published.

B5. Income tax expense

The breakdown of the Malaysian income tax charge is as follows:

	Individual quarter		Year To Date	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
Current Taxation	8,150	12,794	34,659	29,484
Deferred Taxation	(1,097)	(2,893)	(7,549)	(6,161)
Provision based on current year's profit	<u>7,053</u>	<u>9,901</u>	<u>27,110</u>	<u>23,323</u>

The effective tax rate of the Group is lower than the applicable statutory tax rate mainly due to over-provision of taxation in the previous financial year whereby the applicable income tax rate ranges from 20% to 24% as the chargeable income of some subsidiaries has increased above the qualifying threshold as compared to the immediate preceding year of assessment.

B6. Corporate Proposals

There were no other corporate proposals announced by the Company that have not been completed as at 20 August 2018 (being the latest practicable date), which is not earlier than 7 days from the date of issuance of these Interim Financial Statements.

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B7. Group Borrowings

	As at 30/06/2018	As at 30/06/2017
	RM'000	RM'000
Secured short term borrowings	17,415	43,624
Secured long term borrowings	153,586	179,081
Total	<u>171,001</u>	<u>222,705</u>

The Group's borrowings as at 30 June 2018 were dominated in Ringgit Malaysia. There were no borrowings in foreign currency during the financial period under review.

B8. Material Litigation

There was no material litigation against the Group as at the reporting date.

B9. Earnings per share

(a) Basic earnings per ordinary share (Basic EPS)

The basic EPS has been calculated by dividing the Group's net profit attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Individual quarter		Year to date	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Net profit attributable to ordinary equity holders of the Company (RM'000)	25,507	31,903	76,740	60,546
Weighted average number of ordinary shares in issues ('000)	798,834	798,832	798,834	798,832
Basic EPS (sen)	<u>3.19</u>	<u>3.99</u>	<u>9.61</u>	<u>7.58</u>

(b) Diluted earnings per ordinary share

In the current financial period, the potential conversion of warrants are anti-dilutive as their exercise prices are higher than the average market price of the Company's ordinary shares during the current financial period. Accordingly, the exercise of warrants have been ignored in the calculation of dilutive earnings per share.

In the previous financial period, the diluted earnings per share has been calculated by dividing the Group's net profit attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period that have been adjusted for the dilutive effects of all potential ordinary shares from the exercise of the Warrants.

SUNSURIA BERHAD

(Company No.: 8235-K)

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B9. Earnings per share (Cont'd)

	Individual quarter		Year to date	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Net profit attributable to ordinary equity holders of the Company (RM'000)	25,507	31,903	76,740	60,546
Weighted average number of ordinary shares in issues ('000)	798,834	798,832	798,834	798,832
Shares deemed to be issued for no consideration :				
- warrants ('000)	-	124,585	-	117,429
Weighted average number of ordinary shares for diluted earnings per share	-	923,417	-	916,261
Diluted earnings per share (sen)	3.19	3.45	9.61	6.61

B10. Notes to the Statement of Comprehensive Income

Description	Current Quarter 30/06/2018 RM'000	Year to date 30/06/2018 RM'000
Profit for the period is arrived at after crediting/(charging) :		
- Interest income	975	2,594
- Loss on disposal of properties	-	(213)
- Other income including investment income	185	560
- Interest expense	(658)	(1,427)
- Depreciation and amortisation	(730)	(2,029)

BY ORDER OF THE BOARD

Company Secretary
27 August 2018