OSK Holdings Berhad (207075-U)

QUARTERLY REPORT FOR THE FIRST QUARTER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	As at 31.3.2018 RM'000	As at 31.12.2017 RM'000
Assets:		
Non-current		
Property, plant and equipment	**748,233**	752,444
Investment properties	**713,567**	712,943
Investments in associated companies and a joint venture	**3,341,952**	3,443,134
Intangible assets	**1,688**	1,726
Inventories	**827,408**	815,175
Deferred tax assets	**73,910**	74,018
Capital financing	**157,434**	151,850
Trade receivables	**30,253**	30,170
Other assets	**5,027**	5,357
	5,899,472	5,986,817
Current		
Inventories	**535,610**	561,557
Capital financing	**441,260**	361,040
Trade receivables and contract assets	**388,718**	405,278
Other assets	**79,596**	78,388
Biological assets	**175**	80
Tax recoverable	**54,983**	54,151
Derivative assets	**11,274**	17,742
Securities at fair value through profit or loss	**285**	299
Cash, bank balances and short term funds	**326,997**	424,676
	1,838,898	1,903,211
Non-current assets held for sale	**-**	12,641
	1,838,898	1,915,852
Total Assets	**7,738,370**	7,902,669

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018 (CONT'D)

	Note	**As at 31.3.2018 RM'000**	As at 31.12.2017 RM'000
Liabilities:			
Non-current			
Medium term notes	A5(c), B8(a)	**764,978**	774,717
Borrowings	B8(b)	**566,868**	608,282
Deferred income		**151,020**	152,943
Trade payables		**45,539**	24,455
Deferred tax liabilities		**142,128**	143,120
		1,670,533	1,703,517
Current			
Medium term notes	A5(c), B8(a)	**73,386**	63,493
Borrowings	B8(b)	**851,441**	820,424
Deferred income		**11,769**	10,740
Trade payables and contract liabilities		**298,445**	224,553
Tax payable		**5,098**	4,796
Other liabilities		**309,180**	468,222
		1,549,319	1,592,228
Total Liabilities		**3,219,852**	3,295,745
Net Assets		**4,518,518**	4,606,924
Equity:			
Share capital		**2,095,310**	2,095,310
Treasury shares, at cost	A5(a)	**(30,237)**	(30,237)
		2,065,073	2,065,073
Reserves		**2,384,752**	2,473,617
Issued capital and reserves attributable to Owners of the Company		**4,449,825**	4,538,690
Non-controlling interests		**68,693**	68,234
Total Equity		**4,518,518**	4,606,924
Net Assets per share attributable to Owners of the Company (RM)		**2.14**	2.19
Number of outstanding ordinary shares in issue ('000)		**2,077,200**	2,077,200

(The accompanying explanatory notes form an integral part of this quarterly report and should be read in conjunction with the audited financial statements for the year ended 31 December 2017)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 MARCH 2018

	Note	**Current quarter ended 31.3.2018 RM'000**	Comparative quarter ended 31.3.2017 RM'000	**Current year to date ended 31.3.2018 RM'000**	Preceding year to date ended 31.3.2017 RM'000
Revenue		**282,540**	302,544	**282,540**	302,544
Cost of sales		**(202,177)**	(222,361)	**(202,177)**	(222,361)
Gross profit		**80,363**	80,183	**80,363**	80,183
Other income		**25,039**	6,110	**25,039**	6,110
Administrative expenses		**(51,075)**	(45,253)	**(51,075)**	(45,253)
Other expenses		**(2,304)**	(2,308)	**(2,304)**	(2,308)
		52,023	38,732	**52,023**	38,732
Finance costs		**(19,496)**	(17,957)	**(19,496)**	(17,957)
		32,527	20,775	**32,527**	20,775
Share of results of associated companies and a joint venture		**62,313**	46,052	**62,313**	46,052
Profit before tax	B13	**94,840**	66,827	**94,840**	66,827
Tax expense	B6	**(18,458)**	(12,574)	**(18,458)**	(12,574)
Profit after tax		**76,382**	54,253	**76,382**	54,253
Profit/(Loss) attributable to:					
Owners of the Company		**75,017**	54,268	**75,017**	54,268
Non-controlling interests		**1,365**	(15)	**1,365**	(15)
		76,382	54,253	**76,382**	54,253
Earnings per share attributable to Owners of the Company (sen)					
Basic	B11(a)	**3.61**	2.61*	**3.61**	2.61*
Diluted	B11(b)	**3.61**	2.61*	**3.61**	2.61*

* The Earnings per share have been restated pursuant to the issuance of bonus shares on 29 November 2017.

(The accompanying explanatory notes form an integral part of this quarterly report and should be read in conjunction with the audited financial statements for the year ended 31 December 2017)

QUARTERLY REPORT FOR THE FIRST QUARTER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2018

	Current quarter ended 31.3.2018 RM'000	Comparative quarter ended 31.3.2017 RM'000	**Current year to date ended 31.3.2018 RM'000**	Preceding year to date ended 31.3.2017 RM'000
Profit after tax	**76,382**	54,253	**76,382**	54,253
Other comprehensive income/(loss) for the period, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Fair value gain on cash flow hedge	**209**	17	**209**	17
Foreign currency translation	**168**	14,212	**168**	14,212
Share of other comprehensive (loss)/income and reserves of associated companies:				
- *Foreign exchange reserves*	**(39,092)**	2,626	**(39,092)**	2,626
- *Other reserves*	**(2,371)**	5,790	**(2,371)**	5,790
Total other comprehensive (loss)/income for the period, net of tax	**(41,086)**	22,645	**(41,086)**	22,645
Total comprehensive income	**35,296**	76,898	**35,296**	76,898
Total comprehensive income attributable to:				
Owners of the Company	**34,715**	73,486	**34,715**	73,486
Non-controlling interests	**581**	3,412	**581**	3,412
	35,296	76,898	**35,296**	76,898

(The accompanying explanatory notes form an integral part of this quarterly report and should be read in conjunction with the audited financial statements for the year ended 31 December 2017)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2018

	Attributable to Owners of the Company									
	Share capital	Treasury shares [Note A5(a)]	Revalua-tion reserve	Foreign exchange reserves	Hedging reserve	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1.1.2018										
As per previously reported	2,095,310	(30,237)	63,451	42,969	(85)	4,110	2,363,172	4,538,690	68,234	4,606,924
Effects of adoption of MFRS 9:										
- subsidiary companies	-	-	-	-	-	-	(1,553)	(1,553)	(44)	(1,597)
- an associated company	-	-	-	26	-	1,614	(123,672)	(122,032)	-	(122,032)
As restated	2,095,310	(30,237)	63,451	42,995	(85)	5,724	2,237,947	4,415,105	68,190	4,483,295
Profit after tax	-	-	-	-	-	-	75,017	75,017	1,365	76,382
Fair value gain on cash flow hedge	-	-	-	-	203	-	-	203	6	209
Foreign currency translation	-	-	-	163	-	-	-	163	5	168
Share of other comprehensive loss and reserves of associated companies:										
- *Foreign exchange reserves*	-	-	-	(38,297)	-	-	-	(38,297)	(795)	(39,092)
- *Other reserves*	-	-	-	-	-	(2,371)	-	(2,371)	-	(2,371)
Other comprehensive (loss)/income	-	-	-	(38,134)	203	(2,371)	-	(40,302)	(784)	(41,086)
Total comprehensive (loss)/income	-	-	-	(38,134)	203	(2,371)	75,017	34,715	581	35,296
Acquisitions of additional interests in a subsidiary company from non-controlling interests:										
- *Accretion of equity interests*	-	-	-	-	-	-	-	-	(87)	(87)
- *Gain on acquisitions*	-	-	-	-	-	-	10	10	-	10
Exercise of warrants in a subsidiary company:										
- *Shares issued by a subsidiary company*	-	-	-	-	-	-	-	-	4	4
- *Effects of dilution of interests in a subsidiary company*	-	-	-	-	-	-	(5)	(5)	5	-
Total transactions with Owners in their capacity as Owners	-	-	-	-	-	-	5	5	(78)	(73)
As at 31.3.2018	2,095,310	(30,237)	63,451	4,861	118	3,353	2,312,969	4,449,825	68,693	4,518,518

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2018 (CONT'D)

	Attributable to Owners of the Company											
	Share capital	Treasury shares [Note A5(a)]	Share premium	Available-for-sale reserve	Revaluation reserve	Foreign exchange reserves	Hedging reserve	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1.1.2017	1,402,891	(30,237)	336,481	64	76,321	125,095	253	(15,752)	2,405,394	4,300,510	142,380	4,442,890
Profit/(Loss) after tax	-	-	-	-	-	-	-	-	54,268	54,268	(15)	54,253
Fair value gain on cash flow hedge	-	-	-	-	-	-	17	-	-	17	-	17
Foreign currency translation	-	-	-	-	-	10,883	-	-	-	10,883	3,329	14,212
Share of other comprehensive income and reserves of associated companies:												
- *Foreign exchange reserves*	-	-	-	-	-	-	-	5,790	-	5,790	-	5,790
- *Other reserves*	-	-	-	-	-	2,528	-	-	-	2,528	98	2,626
Other comprehensive income	-	-	-	-	-	13,411	-	5,790	-	19,201	3,427	22,628
Total comprehensive income	-	-	-	-	-	13,411	-	5,790	54,268	73,469	3,412	76,881
Transfer pursuant to Companies Act 2016	336,481	-	(336,481)*	-	-	-	-	-	-	-	-	-
Acquisitions of additional interests in a subsidiary company from non-controlling interests:												
- *Accretion of equity interests*	-	-	-	-	-	-	-	-	-	-	(5,218)	(5,218)
- *Gain on acquisitions*	-	-	-	-	-	-	-	-	1,984	1,984	-	1,984
Effects of acquisitions of warrants in a subsidiary company	-	-	-	-	-	-	-	-	(749)	(749)	-	(749)
Accretion of interests in a subsidiary company of an associated company	-	-	-	-	-	-	-	-	1	1	-	1
Total transactions with Owners in their capacity as Owners	336,481	-	(336,481)	-	-	-	-	-	1,236	1,236	(5,218)	(3,982)
Reserve reclassified to retained profits upon disposal of investment properties	-	-	-	-	(10,798)	-	-	-	11,366	568	-	568
As at 31.3.2017	1,739,372	(30,237)	-	64	65,523	138,506	253	(9,962)	2,472,264	4,375,783	140,574	4,516,357

* Upon the commencement of the Companies Act 2016 ("CA 2016") on 31 January 2017, the amount standing to the credit of the Company's share premium becomes part of the Company's share capital pursuant to Section 618(2) of the CA2016. The Group may use the credit amount of the share premium within twenty-four months upon the commencement of Section 74 of the CA2016. On 29 November 2017, the Company fully utilised the credit amount of RM336.5 million in the share premium account as part of the issuance of bonus shares.

(The accompanying explanatory notes form an integral part of this quarterly report and should be read in conjunction with the audited financial statements for the year ended 31 December 2017)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2018

	Note	**Current year to date ended 31.3.2018 RM'000**	Preceding year to date ended 31.3.2017 RM'000
Cash Flows From Operating Activities			
Profit before tax		**94,840**	66,827
Adjustments for:			
Non-cash and non-operating items		**(2,223)**	18,178
Share of results of associated companies and a joint venture		**(62,313)**	(46,052)
Operating profit before working capital changes		**30,304**	38,953
Decrease/(Increase) in operating assets:			
Inventories		**17,071**	(138,341)
Capital financing		**(85,853)**	(3,879)
Trade receivables and contract assets		**16,369**	45,321
Other receivables		**(901)**	37,579
(Decrease)/Increase in operating liabilities:			
Deferred income		**(894)**	(9,064)
Trade payables and contract liabilities		**94,819**	57,276
Other liabilities		**(158,523)**	(88,621)
Cash used in operations		**(87,608)**	(60,776)
Interest received		**14,586**	10,291
Interest paid		**(7,930)**	(8,012)
Income tax paid		**(19,896)**	(19,427)
Refund of income tax		**25**	135
Net cash used in operating activities		**(100,823)**	(77,789)
Cash Flows From Investing Activities			
Acquisitions of additional:			
- shares in a subsidiary company from non-controlling interests	A8(a)(i)	**(77)**	(3,234)
- warrants in a subsidiary company		**-**	(749)
Advance to an associated company		**-**	(605)
Dividends received		**-**	58
Expenditure incurred on investment properties		**(624)**	(2,885)
Funds distribution income received		**1,546**	1,035
Sub-total carried forward		**845**	(6,380)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2018 (CONT'D)

	Current year to date ended 31.3.2018 RM'000	Preceding year to date ended 31.3.2017 RM'000
Cash Flows From Investing Activities (Cont'd)		
Sub-total brought forward	**845**	(6,380)
Proceeds from disposals of:		
- available-for-sale securities	**-**	165
- club membership	**-**	4
- investment properties	**-**	8,299
- property, plant and equipment	**29,727**	49
Purchase of:		
- plant and equipment	**(4,748)**	(5,736)
- software licenses	**(53)**	(3)
Net cash generated from/(used in) investing activities	**25,771**	(3,602)
Cash Flows From Financing Activities		
Drawdown of loans	**24,365**	172,509
Drawdown of revolving credits - net	**46,440**	10,327
Interest paid	**(19,496)**	(17,957)
Proceeds from exercise of warrants of a subsidiary company	**4**	-
Repayment of loans	**(74,195)**	(23,604)
Net cash (used in)/generated from financing activities	**(22,882)**	141,275
Net (decrease)/increase in cash and cash equivalents	**(97,934)**	59,884
Effects of exchange rate changes	**774**	892
Cash and cash equivalents at the beginning of the period	**424,157**	418,396
Cash and cash equivalents at the end of the period	**326,997**	479,172
Cash and cash equivalents comprised:		
Cash, bank balances and short term funds	**326,997**	480,073
Bank overdrafts	**-**	(901)
	326,997	479,172

(The accompanying explanatory notes form an integral part of this quarterly report and should be read in conjunction with the audited financial statements for the year ended 31 December 2017)

QUARTERLY REPORT FOR FIRST QUARTER ENDED 31 MARCH 2018

The unaudited interim financial report ("the quarterly report") have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, Part K - Periodic Disclosures of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")

PART A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134: Interim Financial Reporting ("MFRS 134") issued by the MASB

A1. Basis of preparation

This quarterly report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017 and the accompanying explanatory notes, which 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 December 2017.

The significant accounting policies and methods of computation applied in preparing the unaudited interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2017.

(a) For the current year to date, the Group adopted the following amendments to published standards that are applicable and effective for the Group's financial year beginning on 1 January 2018:

(i) Amendment to MFRS 2 'Share-based Payment' clarifies that the classification and measurement of share-based payment transactions. The amendment introduces specific guidance on how to account for the following situations:

a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

b) share-based payment transactions with a net settlement feature for withholding tax obligations; and

c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

(ii) Annual Improvements to MFRS Standards 2014-2016 Cycle cover minor amendments to MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards' and MFRS 128 'Investments in Associates and Joint Ventures'.

MFRS 1 has been amended to remove short-term exemptions covering transition provision of MFRS 7 'Financial Instruments: Disclosures', MFRS 119 'Employee Benefits' and MFRS 10 'Consolidated Financial Statements'. These transition provisions were available to entities for the passed reporting periods and are therefore no longer applicable.

MFRS 128 has been amended to clarify a venture capital organisations, mutual funds, unit trusts and similar entities may elect to measure their investments in associates or joint ventures at fair value or using the equity method. An entity shall make this election separately for each associate or joint venture, at initial recognition.

(iii) Amendments to MFRS 140 'Investment Property' clarify an entity shall transfer a property to, or from, investment property when there is change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. An entity must, therefore, have taken observable actions to support such a change.

A1. Basis of preparation (Cont'd)

(a) For the current year to date, the Group adopted the following amendments to published standards that are applicable and effective for the Group's financial year beginning on 1 January 2018: (Cont'd)

(iv) IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The IC Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income and on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The adoption of the above amendments to published standards and interpretations do not have any material impact to the Group.

Adoption of MFRS 9 Financial Instruments

MFRS 9 releases new classification and measurement requirements for financial assets on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. MFRS 9 introduces new expected credit loss model that replaces the incurred loss impairment model used in MFRS 139 'Financial Instruments: Recognition and Measurement'. MFRS 9 also simplifies new hedge accounting model where the hedged ratio is required to be the same as the one used by an entity's management for risk management purposes. The details of these new requirements as well as their impact to the Group are disclosed below:

The Group has applied MFRS 9 in accordance with the transition provisions.

Classification and measurement of financial assets under MFRS 9

For classification under MFRS 9, there are three primary classification for financial assets: amortised cost ("AC"), fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVTOCI").

Under MFRS 9, the entity's business model does not depend on management's intention for an instrument, it is a matter of fact that can be observed by way an entity is managed and information is provided to its key management. Thus, same instrument may classify in all three classifications depending on its model for managing the assets.

The Group has applied the requirements of MFRS 9 to instruments that have not been derecognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

As at 1 January 2018, the Group reviewed and assessed the Group's existing financial assets based on the facts and circumstances that existed at that date and concluded that the classification of financial assets as mentioned above have no impact to the Group as the financial assets that were previously measured at FVTPL and at AC under MFRS 139 remained as such under MFRS 9.

A1. Basis of preparation (Cont'd)

(a) For the current year to date, the Group adopted the following amendments to published standards that are applicable and effective for the Group's financial year beginning on 1 January 2018: (Cont'd)

Adoption of MFRS 9 Financial Instruments (Cont'd)

Impairment of financial assets under MFRS 9

The expected credit loss model under MFRS 9 requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised. The expected credit loss model will have a greater provisions and earlier recognition of credit losses as compared with incurred loss model under MFRS 139.

The Group assesses the expected credit losses of the financial assets carried at amortised cost with incorporation of available forward looking information without undue cost or effort in accordance with the requirements of MFRS 9.

Classification and measurement of financial liabilities under MFRS 9

MFRS 9 retains most of the MFRS 139 requirements for financial liabilities. These include amortised cost accounting for most financial liabilities including bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

The classification and measurement of financial liabilities under MFRS 9 have no impact to the Group.

Hedge accounting under MFRS 9

The new hedge accounting requirements under MFRS 9 retain the three types of hedge accounting: fair value hedge, cash flow hedge and hedge of a net investment in a foreign operation. However, the greater flexibility has been given to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test which of ruled-based has been replaced with an objective-based test included the principle of an 'economic relationship'.

The Group dealt with cross-currency interest rate swap which used solely for cash flow hedge. Under MFRS 9, there are no rebalancing of any of the hedging relationships was necessary as the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationship continue to be effective under MFRS 9 effectiveness assessment requirements. The Group has also not designated any new hedging relationships under MFRS 9 that would not have met the qualifying hedge accounting criteria. As such, the new hedge accounting have no impact to the Group.

A1. Basis of preparation (Cont'd)

(a) For the current year to date, the Group adopted the following amendments to published standards that are applicable and effective for the Group's financial year beginning on 1 January 2018: (Cont'd)

Adoption of MFRS 9 Financial Instruments (Cont'd)

The effects of adoption of MFRS 9 on the opening reserves of the Group and other items of the statement of Financial Position as at 1 January 2018 are as follows:

Statement of Financial Position	As at 31.12.2017 RM'000	Effects of adoption of MFRS 9 RM'000	As at 1.1.2018 RM'000
Assets			
Trade receivables	30,170	(1,597)	28,573
Investment in an associated company	3,443,134	(122,032)	3,321,102
Equity			
Retained profits	2,363,172	(125,225)	2,237,947
Non-controlling interests	68,234	(44)	68,190
Foreign exchange reserves	42,969	26	42,995
Other reserves	4,110	1,614	5,724

(b) The following are standards, amendments to published standards and interpretations to existing MFRSs issued by the MASB that are applicable to the Group but not yet effective for the current financial year:

(i) For financial year beginning on/after 1 January 2019

(1) MFRS 16 'Leases' will replace the existing standard on MFRS 117 'Leases'.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. MFRS 16 requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months and for which the underlying asset is not of low value. For lessors, MFRS 16 requires enhanced disclosure on the information about lessors' risk exposure, particularly to residual value risk.

(2) IC 23 Uncertainty over Income Tax Treatments

IC 23 clarifies the application on the recognition and measurement requirements in MFRS 112 when there is uncertainty over income tax treatments. In the circumstance of uncertainly over income tax treatment, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in MFRS 112 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and shall assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making these examinations.

(3) Amendments to MFRS 9 allows companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

A1. Basis of preparation (Cont'd)

(b) The following are standards, amendments to published standards and interpretations to existing MFRSs issued by the MASB that are applicable to the Group but not yet effective for the current financial year: (Cont'd)

(i) <u>For financial year beginning on/after 1 January 2019 (Cont'd)</u>

(4) Amendments to MFRS 128 'Investments in Associates and Joint Ventures' clarifies that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture to which the equity method is not applied.

(5) Annual Improvements to MFRS Standards 2015-2017 Cycle cover minor amendments to MFRS 3 'Business Combinations', MFRS 11 'Joint Arrangements', and MFRS 112 'Income Taxes' and MFRS 123 'Borrowing Costs'.

MFRS 3 'Business Combinations' has been amended to clarify that when a party to a joint arrangement (as defined in MFRS 11 Joint Arrangements) obtains control of a business that is a joint operation (as defined in MFRS 11), and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation. In doing so, the acquirer shall remeasure its entire previously held interest in the joint operation.

MFRS 11 'Joint Arrangements' has been amended to clarify that a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3. In such cases, previously held interests in the joint operation are not remeasured.

MFRS 112 'Income Taxes' has been amended to clarify an entity shall recognise the income tax consequences of dividends as defined in MFRS 9 when it recognises a liability to pay a dividend and an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

MFRS 123 'Borrowing Costs' has been amended to clarify that to the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the all borrowings of the entity that are outstanding during the period, other than borrowings. However, an entity shall exclude from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

A1. Basis of preparation (Cont'd)

(b) The following are standards, amendments to published standards and interpretations to existing MFRSs issued by the MASB that are applicable to the Group but not yet effective for the current financial year: (Cont'd)

(ii) Standard deferred to a date to be determined by MASB

Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments clarify that gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture and gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by MASB. Earlier application is permitted.

The Group is currently assessing the impact of adoption of the new standards and will adopt the new standards on the required effective date.

A2. Seasonality or cyclicality of interim operations

Other than the Hotels and Resorts division which is affected by holiday seasons, the other business operations of the Group for the current year to date were not materially affected by any seasonal or cyclical factors.

A3. Unusual items affecting assets, liabilities, equity, net income and cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group because of their nature, size or incidence.

A4. Changes in estimates of amounts reported previously

There were no significant changes in estimates of amounts reported in prior interim periods or prior financial years that have a material effect in the current financial period.

A5. Issues, repurchases and repayments of debts and equity securities

Save as disclosed below, there were no issuances, repurchases and repayments of debt and equity securities of the Company for the current year to date.

(a) Share buybacks/Treasury shares of the Company

The shares repurchased are being held as treasury shares and treated in accordance with the requirements of Section 127 of the Companies Act 2016. Summary of share buybacks is as follows:

	Number of shares	Highest price RM	Lowest price RM	Average cost (included transaction costs) RM	Total amount paid RM
As at 1.1.2018 / 31.3.2018	18,100,253	2.82	0.90	1.67	30,237,575

A5. Issues, repurchases and repayments of debts and equity securities (Cont'd)

(a) Share buybacks/Treasury shares of the Company (Cont'd)

During the current year, there were no share buybacks.

(b) Warrants C 2015/2020

On 23 July 2015, the Company issued 237,732,751 Warrants C 2015/2020 pursuant to the Bonus Issue of Warrants, which were listed on the Main Market of Bursa Securities on 4 August 2015. Each Warrants C 2015/2020 entitles the holder to subscribe for one (1) new ordinary share of RM1.00 each in the Company at an exercise price of RM1.80 per share by cash.

On 29 November 2017, the Company issued 118,856,788 additional Warrants C 2015/2020 pursuant to the Bonus Issue of Warrants, which were listed on the Main Market of Bursa Securities on 30 November 2017. The exercise price was adjusted from RM1.80 to RM1.20 per share in accordance with Condition 3(i) of the Third Schedule of the Deed Poll dated 7 July 2015 constituting the Warrants C 2015/2020 provides that the exercise price and/or the number of warrants shall from time to time be adjusted, calculated or determined by the Board.

As at 31 March 2018, the total number of Warrants C 2015/2020 which remained unexercised was 356,577,165 (31 December 2017: 356,577,165).

(c) Medium Term Note Programme ("MTN Programme") for the issuance of medium term notes of up to RM990.00 million in nominal value

On 15 October 2015, the Company lodged with the Securities Commission Malaysia ("SC") all the required information and relevant documents relating to the MTN Programme pursuant to the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by SC. The MTN Programme will give the Company the flexibility to raise funds via the issuance of MTNs of up to RM990.00 million in nominal value, which can be utilised to refinance its existing borrowings and to fund its working capital requirements. The MTN Programme is unrated and has a tenure of fifteen (15) years from the date of its first issuance.

On 30 October 2015, the Company issued MTNs of RM750.00 million to refinance its bridging borrowings. The MTNs were issued in 12 tranches with maturities commencing from 2017 to 2022. The MTNs are redeemable every 6 months commencing 18 months after the first issuance date.

On 17 November 2016 and 1 December 2016, the Company further issued MTNs of RM100.00 million and RM90.11 million for working capital respectively. The MTNs were issued in 10 tranches with maturities commencing from 2018 to 2022. Such MTNs are redeemable every 6 months commencing 30 months after the first issuance date.

The terms of the MTN Programme remained unchanged other than the withdrawals of the unutilised balance sum of RM9.90 million, in respect of the first issuance, from the Disbursement Account for working capital purposes. Arising from this, the Company received a total sum of RM200.00 million for its working capital purpose.

A5. Issues, repurchases and repayments of debts and equity securities (Cont'd)

(c) Medium Term Note Programme ("MTN Programme") for the issuance of medium term notes of up to RM990.00 million in nominal value (Cont'd)

On 30 November 2016, the Company redeemed RM100.00 million from the MTN issued on 30 October 2015 by using internally generated funds.

The terms of the MTN Programme contain various covenants, including the following:

(i) The Company shall maintain a gearing ratio of not exceeding 1.50 times throughout the tenure of the MTN Programme.

(ii) The Company shall maintain a security cover ratio of not less than 1.50 times throughout the tenure of the MTN Programme.

(iii) The Company shall maintain a Debt Service Reserve Account ("DSRA") of a minimum amount equivalent to one interest payment. As at 31 March 2018, the DSRA balance was RM3.8 million (2017: RM3.8 million).

The amount can be utilised for the payment of interest of MTNs in the event of a default in interest payment obligations. Any utilised funds shall be replenished within 14 days from the date of withdrawal/shortfall.

The MTN Programme are secured by the following:

(i) First party legal charge by way of Memorandum of Deposit with Power of Attorney over shares and warrants in certain subsidiary companies; and

(ii) First party assignment and charge over the Company's right (including right to sue), title, interest and benefit in and under the DSRA and Disbursement Account and all monies standing to the credit thereto.

The balance outstanding MTN as at 31 March 2018 was RM840.11 million. The interest rates of MTN were ranging from 4.75% to 5.00% per annum.

(d) Establishment of an Islamic MTN Programme for the issuance of Islamic MTNs ("Sukuk Programme") up to RM1.80 billion

On 9 March 2018, OSK I CM Sdn. Bhd. ("OSK I CM"), a wholly-owned subsidiary company of the Company, has lodged a Sukuk Programme with the Securities Commission Malaysia ("SC").

As at 31 March 2018, there were no outstanding of Sukuk as there were no issuance since its establishment.

Subsequently, such Sukuk Programme of up to RM1.80 billion has been combined with the establishment of new MTN as disclosed in Note A9(c).

A6. Dividends paid

There were no dividend paid during the current year to date.

A7. Segmental information

The Group's businesses are organised into five major business segments based on products and services, which are regularly provided to and reviewed by the chief operating decision makers comprising of the Board of Directors and senior management of the Group:

(a) Property

(i) Property Development	-	Property development of residential and commercial properties for sale as well as provision of project management services.
(ii) Property Investment and Management	-	Management and letting of properties, contributing rental yield and appreciation of properties.

(b) Construction - Building construction works.

(c) Industries

(i) Cables	-	Manufacturing and trading of power cables and wires.
(ii) Industrialised Building System ("IBS")	-	Manufacturing and sale of IBS concrete wall panels and trading of building materials.

(d) Hospitality

(i) Hotels and Resorts	-	Management of hotels, resorts including golf course operations.
(ii) Vacation Club	-	Management of vacation timeshare membership scheme.

(e) Financial Services and Investment Holding

(i) Capital Financing	-	Capital financing activities, generating interest, fee and related income.
(ii) Investment Holding	-	Investing activities and other insignificant business segment, where investments contribute dividend income and interest income as well as sharing of results of the investee companies.

The Group monitors the operating results of its business segments separately for the purpose of making decision about resources allocation and performance assessment. Business segment performance is evaluated based on operating profit or loss which in certain aspects is measured differently from profits or loss in the consolidated financial statements. The Group income taxes are not allocated to operating segment.

Business segment revenue and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The inter-segment transactions have been entered into, at arms-length, at terms mutually agreed between the segments and have been eliminated to arrive at the Group's results. During the year to date, there is no single external customers amount to 10 percent or more of the Group's revenue.

Basis of segmentation and related measurement of segment revenue, results, total assets and liabilities have no material change, other than certain comparative figures have been reclassified to conform with current year's presentation to reflect its nature of business activities involved. Such reclassifications merely improve disclosure of business performance and do not have financial impact to the Group.

A7. Segmental information (Cont'd)

(a) Business segment analysis

The following table provides an analysis of the Group's revenue and results by business segments:

	Property RM'000	Cons-truction RM'000	Industries RM'000	Hospitality RM'000	Financial Services & Investment Holding RM'000	Consolidated RM'000
Current year to date ended 31.3.2018						
Revenue						
Total revenue	**167,771**	**84,809**	**69,132**	**23,445**	**62,831**	**407,988**
Inter-segment revenue	**(876)**	**(76,948)**	**(923)**	**(144)**	**(13,117)**	**(92,008)**
Dividends from subsidiary companies	**-**	**-**	**-**	**-**	**(33,440)**	**(33,440)**
Revenue from external parties	**166,895**	**7,861**	**68,209**	**23,301**	**16,274**	**282,540**
Results						
Segment profit/(loss)	**20,101**	**4,102**	**7,586**	**11,594**	**(9,412)**	**33,971**
Share of results of associated companies and a joint venture	**7,062**	**-**	**-**	**-**	**55,251**	**62,313**
	27,163	**4,102**	**7,586**	**11,594**	**45,839**	**96,284**
Inter-segments eliminations	**-**	**(335)**	**-**	**-**	**(1,109)**	**(1,444)**
Profit before tax	**27,163**	**3,767**	**7,586**	**11,594**	**44,730**	**94,840**
Tax expense						**(18,458)**
Profit after tax						**76,382**
Preceding year to date ended 31.3.2017						
Revenue						
Total revenue	193,143	57,551	66,494	27,693	74,382	419,263
Inter-segment revenue	(678)	(52,130)	(555)	(93)	(8,163)	(61,619)
Dividends from subsidiary companies	-	-	-	-	(55,100)	(55,100)
Revenue from external parties	192,465	5,421	65,939	27,600	11,119	302,544
Results						
Segment profit/(loss)	23,923	2,078	6,095	(714)	(8,449)	22,933
Share of results of associated companies and a joint venture	200	-	-	-	45,852	46,052
	24,123	2,078	6,095	(714)	37,403	68,985
Inter-segments eliminations	-	(422)	-	-	(1,736)	(2,158)
Profit/(Loss) before tax	24,123	1,656	6,095	(714)	35,667	66,827
Tax expense						(12,574)
Profit after tax						54,253
Comparison of profit before tax:						
Increase in profit before tax	3,040	2,111	1,491	12,308	9,063	28,013
Percentage of increase	13%	127%	24%	1,724%	25%	42%

A7. Segmental information (Cont'd)

(a) Business segment analysis (Cont'd)

The following table provides an analysis of the Group's assets and liabilities by business segments:

	Property RM'000	Cons-truction RM'000	Industries RM'000	Hospitality RM'000	Financial Services & Investment Holding RM'000	Consolidated RM'000
As at 31.3.2018						
Assets						
Tangible assets	**2,756,586**	**88,186**	**216,233**	**483,126**	**721,706**	**4,265,837**
Intangible assets	**521**	**-**	**-**	**-**	**1,167**	**1,688**
	2,757,107	**88,186**	**216,233**	**483,126**	**722,873**	**4,267,525**
Investments in associated companies and a joint venture	**510,555**	**-**	**-**	**-**	**2,831,397**	**3,341,952**
Segment assets	**3,267,662**	**88,186**	**216,233**	**483,126**	**3,554,270**	**7,609,477**
Deferred tax assets and tax recoverable						**128,893**
Total assets						**7,738,370**
Liabilities						
Segment liabilities	**1,133,773**	**123,871**	**45,601**	**259,530**	**1,509,851**	**3,072,626**
Deferred tax liabilities and tax payable						**147,226**
Total liabilities						**3,219,852**
As at 31.12.2017						
Assets						
Tangible assets	2,926,574	76,992	216,400	502,916	606,758	4,329,640
Intangible assets	531	-	-	-	1,195	1,726
	2,927,105	76,992	216,400	502,916	607,953	4,331,366
Investments in associated companies and a joint venture	529,358	-	-	-	2,913,776	3,443,134
Segment assets	3,456,463	76,992	216,400	502,916	3,521,729	7,774,500
Deferred tax assets and tax recoverable						128,169
Total assets						7,902,669
Liabilities						
Segment liabilities	1,235,556	137,885	45,986	269,768	1,458,634	3,147,829
Deferred tax liabilities and tax payable						147,916
Total liabilities						3,295,745

A7. Segmental information (Cont'd)

(b) Geographical segments analysis

The Group's operations are mainly based in Malaysia and Australia. Other geographical segments mainly include Singapore, Vietnam and British Virgin Islands. In presenting information on the basis of geographical areas, segment performance is based on the geographical location of customers.

The following table provides an analysis of the Group's revenue and results by geographical segments:

	Malaysia RM'000	Australia RM'000	Others RM'000	Consolidated RM'000
Current year to date ended 31.3.2018				
Revenue	**276,315**	**301**	**5,924**	**282,540**
Profit/(Loss) before tax	**79,046**	**16,468 #**	**(674)**	**94,840**
Preceding year to date ended 31.3.2017				
Revenue	293,308	932	8,304	302,544
Profit/(Loss) before tax	68,763	(1,925)	(11)	66,827

Included a gain on disposal of a hotel property in Australia.

The following table provides an analysis of the Group's assets and liabilities by geographical segments:

	Malaysia RM'000	Others RM'000	Consolidated RM'000
As at 31.3.2018			
Non-current assets *	**2,285,532**	**5,364**	**2,290,896**
As at 31.12.2017			
Non-current assets *	2,276,540	5,748	2,282,288

* The non-current assets excluding financial instruments, deferred tax assets, and investments in associated companies and a joint venture are presented based on the geographical location of the assets.

A8. Effects of changes in the composition of the Group for the current year to date

(a) Changes in equity interests in PJ Development Holdings Berhad ("PJD")

(i) Acquisitions of additional equity interests from non-controlling interests of PJD

From 1 January 2018 to 31 March 2018, the Company further acquired the following ordinary shares of PJD:

	Shares
Number of units	51,100
Average price per share (RM)	1.50
Total purchase consideration (RM)	76,650

The acquisitions of additional equity interests from non-controlling interests of PJD have the following effects to the Group:

	RM'000
Net assets acquired from non-controlling interests	(87)
Gains on consolidation recognised in equity	10
Cash outflow on acquisitions of additional ordinary shares in PJD	(77)

(ii) Issuance of 3,500 PJD's ordinary shares pursuant to conversion of PJD's Warrants C

From 1 January 2018 to 31 March 2018, PJD, a subsidiary company of the Company, issued 3,500 new ordinary shares for cash pursuant to the exercise of warrants at an exercise price of RM1.00 cash for the equivalent numbers by the registered holders.

Accordingly, the Company's effective interest in PJD's ordinary shares increased from 96.93% to 96.94% and warrants remained at 91.87%.

(b) Incorporation of L26 Tower Sdn. Bhd.

On 17 January 2018, OSK Property Holdings Berhad ("OSKP") a subsidiary company of the Company incorporated a wholly-owned subsidiary company, L26 Tower Sdn. Bhd., with an issued and paid up capital of RM1,000 comprising of 1,000 ordinary shares.

(c) Incorporation of OSK I CM Sdn. Bhd. ("OSK I CM")

On 18 January 2018, the Company incorporated a wholly-owned subsidiary company, OSK I CM, with an issued and paid up capital of RM1,000 comprising of 1,000 ordinary shares.

A8. Effects of changes in the composition of the Group for the current year to date (Cont'd)

(d) Proposed listing of OCC Cables Limited ("OCC Cables")

On 26 March 2018, the Company announced on Bursa Securities that the Company is considering to list its cables business on the Main Board operated by the Stock Exchange of Hong Kong Limited ("HK Exchange").

On 27 March 2018, PJD acquired the entire issued and paid up capital of OSK Industries Limited ("OSK Industries"), an exempted company incorporated in the Cayman Islands from Reid Services Limited for a total consideration of HKD0.01. Subsequent to the aforesaid acquisition, PJD had on even date further subscribed for 19,999,999 ordinary shares of HKD0.01 each in the capital of OSK Industries. Consequently, OSK Industries and its wholly-owned subsidiary companies, namely OCC Cables and OCC Malaysia Sdn. Bhd. ("OCC Malaysia"), became the indirect subsidiary companies of the Company through PJD.

On 28 March 2018, OCC Malaysia entered into a Share Sale Agreement with OCC Cables Berhad ("OCCB"), a wholly-owned subsidiary company of PJD, to acquire the entire equity interest of Olympic Cable Company Sdn. Bhd. ("Olympic") for a total consideration of RM128,213,000, which has been arrived at based on the net assets of Olympic and its subsidiary company, namely OVI Cables (Vietnam) Co., Ltd. ("OVI"), as at 31 December 2017 ("Proposed Acquisition"). Upon the completion of the Proposed Acquisition, Olympic will become a wholly-owned subsidiary company of OCC Malaysia and OVI will become an indirect subsidiary company of OCC Malaysia.

A9. Events subsequent to the end of the current quarter that have not been reflected in this quarterly report

(a) Acquisitions of additional equity interests in PJD after 31 March 2018

From 1 April 2018 to 24 May 2018, the Company further acquired the following ordinary shares of PJD:

	Shares
Number of units	28,000
Average price per unit (RM)	1.50
Total purchase consideration (RM)	42,000

(b) Issuance of 12,600 PJD's ordinary shares pursuant to conversion of PJD's Warrants C

From 1 April 2018 to 24 May 2018, PJD issued 12,600 new ordinary shares for cash pursuant to the exercise of warrants for the equivalent numbers by the registered holders.

Arising from (a) and (b) above, the Company's effective interest in ordinary shares of PJD remained at 96.94% and warrants of PJD increased from 91.87% to 91.88%.

A9. Events subsequent to the end of the current quarter that have not been reflected in this quarterly report (Cont'd)

(c) Establishment of Medium Term Note Programme 2 ("MTN Programme 2") for the issuance of medium term notes of up to RM1.80 billion in nominal value which limit combined with the Sukuk

On 20 April 2018, OSK I CM lodged MTN Programme 2 and re-lodged the Sukuk Programme with the Securities Commission Malaysia ("SC") all the required information and relevant documents relating to the MTN Programme 2 pursuant to the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by SC. The MTN Programme 2 will give the Company the flexibility to raise funds via the issuance of MTNs of up to RM1.80 billion in nominal value which limit combined with the Sukuk, which can be utilised to refinance its existing borrowings and to fund its working capital requirements. The MTN Programme 2 is unrated, tradable and transferable and has a perpetual tenure.

The terms of the MTN Programme 2 contain various covenants, including the following:

(i) The Group shall maintain a gearing ratio of not exceeding 1.50 times at all times throughout the tenure of the MTN Programme.
(ii) OSK I CM, the Issuer, shall set up or procure Trustees' Reimbursement Account with a sum of RM30,000.00 which shall be maintained at all times throughout the tenure of the MTN Programme 2.

MTNs under the MTN Programme 2 shall be issued as follows:

(i) MTNs may be issued in one or more tranches (each tranche shall be referred to as a "Tranche"). Each Tranche may be secured or unsecured and if a Tranche is secured, all MTNs belonging to that Tranche will be secured by the same Secured Asset; and
(ii) each Tranche may comprise one or more "series" with different issue dates (each a "Series").

OSK I CM issued first tranche of the MTNs totalling RM250.00 million which was subscribed by Malayan Banking Berhad in four series for working capital and/or repayment of borrowings:

(i) 1st series of RM50.00 million issued on 30 April 2018 and redeemable on 30 April 2021;
(ii) 2nd series of RM50.00 million issued on 17 May 2018 and redeemable on 17 May 2023;
(iii) 3rd series of RM75.00 million issued on 17 May 2018 and redeemable on 16 May 2025; and
(iv) 4th series of RM75.00 million issued on 17 May 2018 and redeemable on 17 May 2028.

The first tranche of MTNs are secured by the following:

(i) all its rights, titles, interests and benefits in and under the proceeds account for Tranche 1 ("Tranche 1 Proceeds Account") maintains by The Company and all monies from time to time standing to the credit thereto; and
(ii) such number of issued and fully paid up ordinary shares in an associated company acceptable to the Security Trustee ("Tranche 1 Pledged Shares"), in each case held by the Company, to meet the security cover of at least 2.0 times calculated in accordance with the provisions of the memorandum of deposit of shares.

A10. Significant unrecognised contractual commitments

	As at 31.3.2018 RM'000	As at 31.12.2017 RM'000
Contracted but not provided for:		
- Acquisition of plant, equipment and software	**3,710**	3,927
- Construction of an investment property	**24,670**	24,712
- Professional fee for corporate exercise	**-**	308
- Renovation costs	**1,715**	-
	30,095	28,947

A11. Changes in contingent liabilities or contingent assets

There were no major changes in contingent liabilities or contingent assets of the Group since the previous audited financial statements.

A12. Significant related party transactions

	Entities	Nature of transactions	Income/(Expenses) Current year to date ended 31.3.2018 RM'000
(a)	**Associated companies:**		
	RHB Asset Management Sdn. Bhd.	- Fund distribution income	1,010
	RHB Bank Berhad	- Interest expense	(12,306)
(b)	**Other related parties:**		
	Dindings Consolidated Sdn. Bhd.	- Construction revenue	534
	Dindings Design Sdn. Bhd.	- Renovation costs	(1,218)
	DC Services Sdn. Bhd.	- Insurance premium expense	(394)
	Nova Terrace Sdn. Bhd.	- Project management fee income	300
	Sincere Source Sdn. Bhd.	- Insurance premium expense	(529)

A13. Fair value measurement

Determination of fair value

The carrying amounts of trade and other receivables/payables, cash and cash equivalents and short term borrowings were approximated their fair values due to the relatively short term maturity in nature of these financial instruments. The Group's capital financing are mostly fixed rate loans with short term maturities and the carrying amounts of capital financing are approximate their fair values. The fair values of impaired fixed rate capital financing are represented by their carrying amounts, net of collective and individual impairment allowance, being the expected recoverable amount.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair values are observable for the assets or liabilities, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data for the assets or liabilities.

The following table shows an analysis of financial instruments and non-financial assets recorded at fair value within the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
As at 31.3.2018				
Non-financial assets				
Biological assets	**-**	**-**	**175**	**175**
Investment properties	**-**	**353,566**	**360,001**	**713,567**
Financial assets				
Derivative assets	**-**	**11,274**	**-**	**11,274**
Securities at fair value through profit or loss	**285**	**-**	**-**	**285**
	285	**364,840**	**360,176**	**725,301**
As at 31.12.2017				
Non-financial assets				
Biological assets	-	-	80	80
Investment properties	-	353,382	359,561	712,943
Financial assets				
Derivative assets	-	17,742	-	17,742
Securities at fair value through profit or loss	299	-	-	299
	299	371,124	359,641	731,064

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the last bid price. There were no transfers between levels of the fair value hierarchy during the current year to date.

QUARTERLY REPORT FOR FIRST QUARTER ENDED 31 MARCH 2018

PART B - Explanatory Notes Pursuant to Chapter 9, Part K - Periodic Disclosures, Part A of Appendix 9B, of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")

B1. Performance analysis of the Group for the current quarter and current year ended 31 March 2018

The Group's overview financial performance is shown as follows:

	Current quarter ended 31.3.2018 (1Q18) RM'000	Comparative quarter ended 31.3.2017 (1Q17) RM'000	% change
Overall performance analysis			
Revenue	**282,540**	302,544	(7%)
Pre-tax profit from the business	**32,527**	20,775	57%
Share of results of associated companies and a joint venture	**62,313**	46,052	35%
Pre-tax profit	**94,840**	66,827	42%
Profit before interest and tax	**114,336**	84,784	35%
Profit after tax	**76,382**	54,253	41%
Profit attributable to Owners of the Company	**75,017**	54,268	38%
Pre-tax profit analysis for business segments			
1. Property	**27,163**	24,123	13%
2. Construction	**3,767**	1,656	127%
3. Industries	**7,586**	6,095	24%
4. Hospitality	**11,594**	(714)	1,724%
Capital Financing	*8,216*	*6,045*	*36%*
Investment Holding	*36,514*	*29,622*	*23%*
5. Financial Services and Investment Holding	**44,730**	35,667	25%
Pre-tax profit	**94,840**	66,827	42%

B1. Performance analysis of the Group for the current quarter and current year ended 31 March 2018 (Cont'd)

Current Quarter ("1Q18") compared with Comparative Quarter of Preceding Year ("1Q17")

The Group registered revenue of RM282.54 million and pre-tax profit of RM94.84 million in 1Q18 compared with revenue of RM302.54 million and pre-tax profit of RM66.83 million in 1Q17, representing a decrease of RM20.00 million or 7% in revenue and an increase of RM28.01 million or 42% in pre-tax profit. For 1Q18, despite lower revenue, the Group recorded higher pre-tax profit primarily due to the gain on disposal of a hotel property in Australia of RM17.53 million and higher share of profits of associated companies. All the Business Segments achieved better results in 1Q18 as compared to 1Q17 except for the Hospitality Segment.

The Property Segment registered revenue of RM166.90 million and pre-tax profit of RM27.16 million in 1Q18 compared with revenue of RM192.47 million and pre-tax profit of RM24.12 million in 1Q17, representing a decrease of RM25.57 million or 13% in revenue and an increase of RM3.04 million or 13% in pre-tax profit. Included in the pre-tax profit is the share of results from an associated company, Agile PJD Development Sdn. Bhd., which recorded RM8.25 million in 1Q18 compared to RM0.33 million in 1Q17. Apart from the increased share of profit, reduction in the pre-tax profit of RM4.88 million in 1Q18 of this Division is in line with the reduction in revenue as there were fewer projects undertaken.

The Construction Segment contributed revenue of RM7.86 million and pre-tax profit of RM3.77 million in 1Q18 compared with revenue of RM5.42 million and pre-tax profit of RM1.66 million in 1Q17, representing an increase of RM2.44 million or 45% in revenue and RM2.11 million or 2.27 times in pre-tax profit. The increase in revenue and pre-tax profit was mainly due to higher progress billings for construction works carried out for both external and internal projects in 1Q18.

The Industries Segment registered revenue of RM68.21 million and pre-tax profit of RM7.59 million in 1Q18 compared with revenue of RM65.94 million and pre-tax profit of RM6.10 million in 1Q17, representing an increase of RM2.27 million or 3% in revenue and an increase of RM1.49 million or 24% in pre-tax profit. The higher revenue and pre-tax profit were due to higher demand for cable products in 1Q18 and better margin achieved with improved efficiency.

The Hospitality Segment registered revenue of RM23.30 million and pre-tax profit of RM11.59 million in 1Q18 compared with revenue of RM27.60 million and pre-tax loss of RM0.71 million in 1Q17, representing a decrease of RM4.30 million or 16% in revenue and an improvement of RM12.30 million in pre-tax performance. Despite the drop in revenue, the segment recorded higher pre-tax profit arising from the disposal of Garden Lodge which gives rise to a gain of RM17.53 million in 1Q18. Excluding the gain on disposal, the segment recorded a pre-tax loss of RM5.94 million mainly due to lower occupancy rates and average room rates across all the hotels, decline in management fee income from management of external hotel properties and lower membership sales at Vacation Club Division.

The Capital Financing Division posted revenue of RM15.19 million and pre-tax profit of RM8.22 million in 1Q18 compared with revenue of RM10.39 million and pre-tax profit of RM6.05 million in 1Q17, representing an increase of RM4.80 million or 46% in revenue and RM2.17 million or 36% in pre-tax profit. The increase in revenue and pre-tax profit were mainly due to higher interest income generated from higher loan disbursements.

The Investment Holding Division contributed pre-tax profit of RM36.51 million in 1Q18 compared to RM29.62 million in 1Q17, representing an increase of RM6.89 million or 23% in pre-tax profit mainly due to contribution from the share of profit of RHB group increased to RM55.25 million in 1Q18 from RM45.85 million in 1Q17.

B2. Commentary on pre-tax profit for current quarter compared with immediate preceding quarter

The Group's review of financial performance are analysed as follows:

	Current quarter ended 31.3.2018 (1Q18) RM'000	Immediate preceding quarter ended 31.12.2017 (4Q17) RM'000	% change
Overall performance analysis			
Revenue	**282,540**	277,437	2%
Pre-tax profit from the business	**32,527**	64,313	(49%)
Share of results of associated companies and a joint venture	**62,313**	45,460	37%
Pre-tax profit	**94,840**	109,773	(14%)
Profit before interest and tax	**114,336**	126,843	(10%)
Profit after tax	**76,382**	60,617	26%
Profit attributable to Owners of the Company	**75,017**	63,378	18%
Pre-tax profit analysis for business segments			
1. Property	**27,163**	73,412	(63%)
2. Construction	**3,767**	3,491	8%
3. Industries	**7,586**	6,440	18%
4. Hospitality	**11,594**	(7,599)	253%
Capital Financing	*8,216*	*7,038*	*17%*
Investment Holding	*36,514*	*26,991*	*35%*
5. Financial Services and Investment Holding	**44,730**	34,029	31%
Pre-tax profit	**94,840**	109,773	(14%)

B2. Commentary on pre-tax profit for current quarter compared with immediate preceding quarter

Current Quarter ("1Q18") compared with Immediate Preceding Quarter ("4Q17")

The Group recorded revenue of RM282.54 million and pre-tax profit of RM94.84 million in 1Q18 compared with revenue of RM277.44 million and pre-tax profit of RM109.77 million in 4Q17, representing an increase of RM5.10 million or 2% in revenue and a decrease of RM14.93 million or 14% in pre-tax profit. The pre-tax profit for 4Q17 included a net fair value gain of RM53.13 million in 4Q17. Excluding the fair value gain in 4Q17, all the Business Segments reported improvement in pre-tax profits.

The Property Segment recorded revenue of RM166.90 million and pre-tax profit of RM27.16 million in 1Q18 compared with revenue of RM158.11 million and pre-tax profit of RM73.41 million in 4Q17, representing an increase of RM8.79 million or 6% in revenue and a decrease of RM46.25 million or 63% in pre-tax profit. In 4Q17, the Segment recorded a net fair value gain of RM53.13 million and a gain of disposal of an investment property of RM4.57 million. Excluding the aforesaid gains, the Property Segment recorded pre-tax profit of RM27.16 million in 1Q18 compared with RM15.71 million in 4Q17, representing an increase of RM11.45 million or 73% in pre-tax profit. The increase in pre-tax profit were mainly due to progress billing recognised on its existing on-going projects and the commencement revenue recognition from the Ryan & Miho in Section 13, Petaling Jaya and Phase 1 Iringan Bayu in Seremban which were launched in 4Q17 and 1Q18 respectively. In addition, the pre-tax profit was boosted by the reversal of accruals for certain costs which were no longer required.

The Construction Segment recorded revenue of RM7.86 million and pre-tax profit of RM3.77 million in 1Q18 compared with revenue of RM7.40 million and pre-tax profit of RM3.49 million in 4Q17, representing an increase of RM0.46 million or 6% in revenue and RM0.28 million or 8% in pre-tax profit. The performance of the Segment remains fairly consistent with that in 4Q17 as it continues to deliver the projects undertaken.

The Industries Segment recorded revenue of RM68.21 million and pre-tax profit of RM7.59 million in 1Q18 compared with revenue of RM71.95 million and pre-tax profit of RM6.44 million in 4Q17, representing a decrease of RM3.74 million or 5% in revenue and an increase of RM1.15 million or 18% in pre-tax profit. Despite lower revenue, the pre-tax profit showed a slight increase due to better performance in the IBS Division as compared to 4Q17.

The Hospitality Segment recorded revenue of RM23.30 million and pre-tax profit of RM11.59 million in 1Q18 compared with revenue of RM24.43 million and pre-tax loss of RM7.60 million in 4Q17, representing a decrease of RM1.13 million or 5% in revenue and an increase of RM19.19 million in pre-tax performance. Lower revenue recorded in 1Q18 for Hotels and Resorts Division was mainly due to seasonality effects as 4Q17 was holiday season coupled with the disposal of Garden Lodge in Sydney, Australia in 1Q18. Excluding the gain on disposal of Garden Lodge of RM17.53 million in 1Q18 and impairment loss provided in 4Q17 of RM1.85 million, the pre-tax losses recorded was RM5.94 million and RM5.75 million in 1Q18 and 4Q17 respectively. The improved performance of Vacation Club Division from higher membership sales in 1Q18 from 4Q17 was set-off by the declined in performance of the Hotel Division arising from lower occupancy rate and declined in management fee income from management of external hotel properties.

The Capital Financing Division recorded revenue of RM15.19 million and pre-tax profit of RM8.22 million in 1Q18 compared with revenue of RM13.56 million and pre-tax profit of RM7.04 million in 4Q17, representing an increase of RM1.63 million or 12% in revenue and an increase of RM1.18 million or 17% in pre-tax profit. The improvement was mainly due to higher interest income generated from the enlarged capital financing portfolio.

The Investment Holding Division contributed pre-tax profit of RM36.51 million in 1Q18, an increase of RM9.52 million compared to RM26.99 million in 4Q17. The increase in pre-tax profit was mainly due to higher share of profit of RHB Group.

B3. Commentary on remaining year prospects and progress on previously announced revenue or profit forecast

(a) Prospects for the remaining year 2018

Performance of the Property Development Division continues to be led by sales and progress billings from the existing projects and new projects launched in Malaysia. Ryan & Miho in Section 13, Petaling Jaya that was launched in 4Q17 and Phase 1 of Iringan Bayu township in Seremban that was launched in January 2018 with combined gross development value of RM720.00 million received good response. The Melbourne Square project in Australia continues to record strong take-up rate since its launch in June 2017 and the construction progress is in accordance with plan. The share of profit from Melbourne Square would only be recognised upon completion of the development in accordance with the profit recognition criteria under MFRS 15 'Revenue from Contracts with Customers'. As at 31 March 2018, the Group has unbilled sales of RM1.20 billion, land bank of about 2,016 acres and estimated gross development value of RM8.50 billion.

The Property Investment Division is expected to contribute steady rental income from its commercial and retail tenants. Occupancy rates in Plaza OSK and Faber Towers saw a gradual increase during the period due to various initiatives put in place to attract tenants. Average occupancy rate of Atria Shopping Gallery remains fairly strong at above 90%.

The Construction Segment will continue to focus on delivering its current order books on a timely manner. As at 31 March 2018, the outstanding order book of this segment stood at RM311.00 million.

The Industries Segment is anticipated to perform satisfactorily as it continues to tap on projects from the private and public sectors undertaken by its customers and continues to tap into new customer base and expansion of product types.

The Hospitality Segment is expected to improve with marketing efforts to attract local and foreign travellers. Renovation plans for some of the hotel rooms are underway and the segment is expected to contribute positively to the bottom line once completed with improved room rates.

The Financial Services and Investment Holding Segment's contribution will mainly depend on the performance of RHB Group. The banking sector is expected to improve in the remaining year while the Capital Financing Division is expected to perform satisfactorily based on expansion of the capital financing portfolio.

Premised on the foregoing, the Board is confident that the Group will deliver satisfactory results for the remaining year.

(b) Progress and steps to achieve revenue or profit estimate, forecast, projection and internal targets previously announced

There were no revenue or profit forecast previously announced by the Company.

B4. Statement of the Board of Directors' opinion on achievability of revenue or profit estimate, forecast, projection and internal targets previously announced

There were no revenue or profit forecast previously announced by the Company.

B5. Profit forecast/profit guarantee previously announced

There were no profit forecast or profit guarantee previously announced by the Company.

B6. Tax expense

	Current quarter ended 31.3.2018 RM'000	Current year to date ended 31.3.2018 RM'000
In respect of the current year income tax	(19,333)	(19,333)
Under provision of income tax in respect of prior years	(8)	(8)
Deferred income tax	883	883
Income tax expense	(18,458)	(18,458)

Excluding share of results of associated companies and a joint venture, the effective tax rate for the current year to date is higher than the statutory tax rate of 24% mainly due to non-deductibility of certain expenses and losses in certain subsidiary companies that are not available to offset against taxable profits in other subsidiary companies within the Group.

B7. Status of corporate proposals and utilisation of proceeds

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

B8. Borrowings and debt securities as at the end of the reporting period

The Group's borrowings and debt securities at the end of the current year to date, denominated in Ringgit Malaysia ("MYR"), United States Dollar ("USD") and Vietnamese Dong ("VND"), are as follows:

(a) Debt securities

	Non-current RM'000	Current RM'000	Total RM'000
As at 31.3.2018			
Secured			
Medium term notes - MYR	**764,978**	**73,386**	**838,364**
As at 31.12.2017			
Secured			
Medium term notes - MYR	774,717	63,493	838,210

The details of medium term notes are disclosed in Note A5(c).

B8. Borrowings and debt securities as at the end of the reporting period (Cont'd)

The Group's borrowings and debt securities at the end of the current year to date, denominated in Ringgit Malaysia ("MYR"), United States Dollar ("USD") and Vietnamese Dong ("VND"), are as follows: (Cont'd)

(b) Borrowings

	Non-current		Current		Total
	Foreign Currency '000	RM'000	Foreign Currency '000	RM'000	RM'000
As at 31.3.2018					
Secured					
Bankers' acceptances - MYR	-	-	-	**13,100**	**13,100**
Revolving credits - MYR	-	-	-	**134,400**	**134,400**
Term/Bridging					
- MYR	-	**566,868**	-	**45,694**	**612,562**
- USD (1 : 3.8619)	-	-	**USD19,909**	**76,887**	**76,887**
		566,868		**270,081**	**836,949**
Unsecured					
Revolving credits - MYR	-	-	-	**580,018**	**580,018**
Trust receipt					
- VND (100 : 0.0170)	-	-	**VND7,898,217**	**1,342**	**1,342**
		-		**581,360**	**581,360**
Total		**566,868**		**851,441**	**1,418,309**
As at 31.12.2017					
Secured					
Bankers' acceptances - MYR	-	-	-	5,200	5,200
Revolving credits - MYR	-	-	-	143,150	143,150
Term/Bridging					
- MYR	-	608,282	-	50,708	658,990
- USD (1 : 4.0619)	-	-	USD23,460	95,293	95,293
		608,282		294,351	902,633
Unsecured					
Bank overdrafts - MYR	-	-	-	518	518
Revolving credits - MYR	-	-	-	524,787	524,787
Trust receipt					
- VND (100 : 0.0179)	-	-	VND4,286,996	768	768
		-		526,073	526,073
Total		608,282		820,424	1,428,706

B8. Borrowings and debt securities as at the end of the reporting period (Cont'd)

(c) Commentaries on the Group borrowings and debt securities

(i) During the period under review, there were no material changes in debts and borrowings other than the changes for working capital requirements. For medium term notes, the details are disclosed in Note A5(c);

(ii) The decrease in the borrowings were due to repayment of term loan; and

(iii) Borrowings of USD19.91 million has been hedged to MYR via USD/MYR cross currency interest rate swap transaction and the contracted USD/MYR forex rate was 3.3030. The VND7.90 billion borrowings has not been hedged due to the borrowings were used as working capital for business operations in Vietnam.

B9. Changes in material litigation

As at 24 May 2018 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report), other than as disclosed below, the Group was not engaged in any material litigation, claims nor arbitration either as plaintiff or defendant and the Directors are not aware of any proceeding pending or threatened against the Group or of any facts likely to give rise to any proceeding which might materially and adversely affect the financial position or business operations of the Group.

(a) Adjudication between BUCG (M) Sdn. Bhd. ("BUCG") v Atria Damansara Sdn. Bhd. ("ADSB")

ADSB, a subsidiary company of OSK Property Holdings Berhad ("OSKP") which in turn is a subsidiary company of the Company, had on 29 June 2012 appointed BUCG for the Main Building Works of The Atria Redevelopment Project ("the Contract").

ADSB and BUCG entered into 1st adjudication which was concluded on 25 July 2016 where a sum of RM1,289,698.18 was paid by ADSB to BUCG which includes the outstanding sum, interest and adjudication fees and expenses.

The 2nd adjudication which commenced on 7 June 2017, where BUCG claimed a total of RM99.692 million (comprising progress claim, retention sum, loss and expenses and GST), has been dismissed by the Adjudicator on 26 March 2018 and awarded ADSB with costs for the Adjudication.

(b) Arbitration between Atria Damansara Sdn. Bhd. ("Claimant" or "ADSB") v BUCG (M) Sdn. Bhd. ("Respondent" or "BUCG")

ADSB, a subsidiary company of OSKP which in turn is a subsidiary company of the Company filed a revised Notice of Arbitration on 23 November 2016.

The Statement of Claim has been filed on 7 September 2017 where ADSB has pleaded for a total claim sum of RM81,065,432.56 (which includes Liquidated Ascertained Damages ("LAD") A of RM27,180,000.00 and additional costs paid to contractor for rectification works and cost to complete the constructions of RM22,818,413.67).

On 6 November 2017, the Arbitrator has resigned due to conflict of interest and parties now in the midst of appointing a new Arbitrator.

On 9 November 2017, BUCG has served its Defence and Counterclaim on the matter. Via its counterclaim, BUCG is claiming for the sum of RM105,674,087.62 based on various bills, variation orders, losses and expenses incurred and GST.

B9. Changes in material litigation (Cont'd)

(b) Arbitration between Atria Damansara Sdn. Bhd. ("Claimant" or "ADSB") v BUCG (M) Sdn. Bhd. ("Respondent" or "BUCG") (Cont'd)

ADSB has filed its Reply to Defence and Defence to Counterclaim on 7 December 2017.

On 18 May 2018, a new arbitrator has accepted his appointment for the Arbitration.

(c) Claims by 14 Houseowners / Purchasers against OSK Properties Sdn. Bhd. ("OSKPSB") (together with architect W.K.Khor Architect and Majlis Perbandaran Sungai Petani ("MPSP"))

OSKPSB, a subsidiary company of OSKP which in turn is a subsidiary company of the Company had entered into sale and purchase agreements with 14 purchasers ("the Purchasers") between the years of 2012 and 2013 for the purchases of residential units at the Bandar Puteri Jaya project in Sungai Petani, Kedah. The purchase price stated in the Sale and Purchase Agreements with each of the Purchasers range from RM271,212 to RM385,022 for each unit.

On 3 May 2016, OSKPSB was served with a Writ and Statement of Claim by the Purchasers who had alleged inter alia that the construction of their properties had defects and that part of their properties differed from the show house. Each of the Purchasers is claiming: (a) damages amounting to RM2.5 million against OSKPSB; (b) damages amounting to RM2.5 million against the Architect; and (c) damages amounting to RM700,000 against MPSP.

On 3 April 2018, parties have entered into an amicable settlement and have entered into a Consent Judgment. The terms of the Consent Judgment, inter alia, are as follows:

(i) That OSKP shall replace the "hook kipas" and will repair any defects related to the hook for 2 of the Plaintiffs only.
(ii) That all Plaintiffs shall withdraw their claims against OSKP.
(iii) OSKP shall withdraw its Counterclaim (on defamation) and the application of committal against the 14 Purchasers.
(iv) Parties have no liberty to refile their respective claims afresh.

B10. Dividends

No dividend has been declared or paid for the current year to date ended 31 March 2018 (1Q17: Nil).

B11. Earnings Per Share ("EPS")

	Current quarter ended 31.3.2018	Comparative quarter ended 31.3.2017	Current year to date ended 31.3.2018	Preceding year to date ended 31.3.2017
(a) Basic earnings per share				
Profit attributable to Owners of the Company (RM'000)	**75,017**	54,268	**75,017**	54,268
Weighted average number of ordinary shares outstanding ('000)	**2,077,200**	2,077,188*	**2,077,200**	2,077,188*
Basic EPS (sen)	**3.61**	2.61	**3.61**	2.61
(b) Diluted earnings per share				
Profit attributable to Owners of the Company (RM'000)	**75,017**	54,268	**75,017**	54,268
Weighted average number of ordinary shares outstanding ('000)	**2,077,200**	2,077,188*	**2,077,200**	2,077,188*
Effect of dilution of assumed conversion of Warrants C 2015/2020 ('000)^	-	-	-	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000 shares)	**2,077,200**	2,077,188	**2,077,200**	2,077,188
Diluted EPS (sen)	**3.61**	2.61	**3.61**	2.61

* The weighted average number of ordinary shares in issue has been adjusted pursuant to the issuance of bonus shares on 29 November 2017.

	Comparative quarter ended 31.3.2017 '000	Preceding year to date ended 31.3.2017 '000
Previously stated	1,384,791	1,384,791
Adjustment pursuant to the Bonus Issue	692,397	692,397
Restated	2,077,188	2,077,188

^ The Company's Warrants C 2015/2020 that could potentially dilute basic earnings per share in the future were not included in the calculation of the diluted earnings per share because they are anti-dilutive for the current and previous years.

B12. Audit report of preceding annual financial statements

The audit report of the Group's annual financial statements for the preceding year were not subject to any qualification.

B13. Items included in the Statement of Profit or Loss and Statement of Comprehensive Income

Profit before tax is arrived at after crediting/(charging):	**Current quarter ended 31.3.2018 RM'000**	Comparative quarter ended 31.3.2017 RM'000	**Current year to date ended 31.3.2018 RM'000**	Preceding year to date ended 31.3.2017 RM'000
(i) Revenue				
Interest income	**12,765**	8,083	**12,765**	8,083
Rental income	**9,799**	11,090	**9,799**	11,090
(ii) Cost of sales				
Interest expense	**(4,112)**	(2,965)	**(4,112)**	(2,965)
Written down of inventories				
- raw materials	**(430)**	(344)	**(430)**	(344)
- finished goods	**(707)**	(936)	**(707)**	(936)
(iii) Other income				
Dividend income				
- securities at fair value through profit or loss	**-**	58	**-**	58
Funds distribution income	**1,546**	1,035	**1,546**	1,035
Gain on disposals of:				
- investment properties	**-**	299	**-**	299
- property, plant and equipment	**17,543**	20	**17,543**	20
Gain on fair valuation of:				
- biological assets	**-**	1	**-**	1
- securities at fair value through profit or loss	**-**	46	**-**	46
Gain on foreign exchange transactions	**166**	136	**166**	136
Gain on foreign exchange translations	**24**	80	**24**	80
Interest income	**1,821**	2,208	**1,821**	2,208
Recovery of bad debts of capital financing	**360**	1	**360**	1
Write back of allowance for impairment losses on:				
- capital financing:				
- collective assessment	**-**	32	**-**	32
- trade and other receivables:				
- individual assessment	**181**	386	**181**	386
(iv) Administrative expenses				
Depreciation and amortisation	**(5,959)**	(6,056)	**(5,959)**	(6,056)

B13. Items included in the Statement of Profit or Loss and Statement of Comprehensive Income (Cont'd)

Profit before tax is arrived at after crediting/(charging):	Current quarter ended 31.3.2018 RM'000	Comparative quarter ended 31.3.2017 RM'000	Current year to date ended 31.3.2018 RM'000	Preceding year to date ended 31.3.2017 RM'000
(v) Other items of expense				
Impairment loss on:				
- capital financing:				
- individual assessment	**(49)**	(5)	**(49)**	(5)
- trade and other receivables:				
- individual assessment	**(471)**	(612)	**(471)**	(612)
Loss on disposals of:				
- intangible asset	**-**	(11)	**-**	(11)
- plant and equipment	**(1)**	(3)	**(1)**	(3)
Loss on fair valuation of securities at fair value through profit or loss	**(14)**	-	**(14)**	-
Loss on foreign exchange transactions	**(1,025)**	-	**(1,025)**	-
Loss on foreign exchange translations	**(458)**	(121)	**(458)**	(121)
Write off of:				
- bad debts on trade and other receivables	**-**	(1,003)	**-**	(1,003)
- plant and equipment	**(2)**	(127)	**(2)**	(127)
Finance costs				
- Interest expense	**(19,496)**	(17,957)	**(19,496)**	(17,957)

Items for other comprehensive income are disclosed in the Statement of Comprehensive Income. There were no impairment of assets other than items disclosed above.

B14. Derivative financial instruments

Type of Derivative	Contract / Notional RM'000	Carrying Amount at Fair Value RM'000	Cash Flow Hedge Reserve RM'000
As at 31.3.2018			
Cross-currency interest rate swap contract			
- less than 1 year	**65,758**	**11,274**	**209**
As at 31.12.2017			
Cross-currency interest rate swap contract			
- less than 1 year	77,487	17,742	(349)

The cross-currency interest rate swap has been entered into in order to operationally hedge the borrowing denominated in United States Dollar ("USD") and floating monthly interest payments on borrowing that would mature on 28 September 2018. The fair value of these components has been determined based on the difference between the monthly future rates and the strike rate.

The derivative is initially recognised at fair value on the date the derivative contract is entered into. Pursuant to inception of the cash flow hedge, subsequent gain or loss on remeasurement of the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

B15. Gains or losses arise from fair value changes of financial liabilities

There were no gains or losses arise from fair value changes of financial liabilities for the current quarter and current quarter ended 31 March 2018.

By Order of the Board

Tan Sri Ong Leong Huat
Executive Chairman
Kuala Lumpur
31 May 2018