A. EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134: INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The unaudited interim financial report has been prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 August 2018.

The Group is adopting the MFRS framework for the first time in the current financial year beginning 1 September 2018. In presenting its first MFRS financial statements, the Group is required to restate the comparative financial statements to amounts reflecting the application of MFRS framework, as if these policies had always been in effect.

The accounting policies and methods of computation adopted in this interim financial report are consistent with those adopted in the annual audited financial statements for the financial year ended 31 August 2018 except for the adoption of new MFRSs, amendments to MFRSs and IC Interpretations (IC) which are relevant to its operations and effective for the financial period beginning on or after 1 September 2018.

Title		**Effective Date**
Amendments to MFRS 1	Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Clarification to MFRS 15		1 January 2018
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 128	Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	See MFRS 4 Paragraphs 46 and 48

The adoption of these MFRSs, amendments to MFRSs and IC Interpretations do not have significant impact on the results and the financial position of the Group, except as disclosed below:

<u>MFRS 9 – Financial Instruments</u>

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

<u>MFRS 15 – Revenue from Contracts with Customers</u>

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, FRS 201(2004) *Property Development Activities* and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgment.

Reconciliation of Statement of Financial Position as at 1 September 2017

	As previously stated RM	Effect on adopting MFRSs RM	As restated RM
Land held for property development	64,608,025	(64,608,025)	-
Inventories	-	64,608,025	64,608,025
Property Development Costs	31,115,959	(31,115,959)	-
Inventories	46,546,240	31,115,959	77,662,199
Contract Assets	-	15,357,402	15,357,402
Trade and other receivables	128,184,561	(16,082,068)	112,102,493
Retained earnings	165,181,161	657,026	165,838,187
Contract Liabilities	-	24,276,179	24,276,179
Trade and other payables	106,554,648	(25,657,871)	80,896,777

Reconciliation of Statement of Financial Position as at 31 August 2018

	As previously stated RM	Effect on adopting MFRSs RM	As restated RM
Land held for property development	48,325,174	(48,325,174)	-
Inventories	-	48,325,174	48,325,174
Property Development Costs	16,152,651	(16,152,651)	-
Inventories	10,061,637	16,152,651	26,214,288
Contract Assets	-	15,301,548	15,301,548
Trade and other receivables	225,391,438	(16,158,390)	209,233,048
Retained earnings	166,400,608	(856,842)	165,543,766
Contract Liabilities	-	41,065,636	41,065,636
Trade and other payables	110,870,998	(41,065,636)	69,805,362

Reconciliation of Statement of Profit or Loss and Other Comprehensive Income as at 31 August 2018

	As previously stated RM	Effect on adopting MFRSs RM	As restated RM
Revenue	287,848,922	(1,779,104)	286,069,818
Other Income	1,606,976	54,942	1,661,918
Administrative expenses	17,161,076	(210,294)	16,950,782

A2. **Audit report of preceding annual financial statements**

There were no audit qualification on the financial statements of the Company and its subsidiaries for the financial year ended 31 August 2018.

A3. **Seasonal or cyclical factors**

The Group's business operations were not materially affected by any major seasonal or cyclical factors.

A4. **Unusual items affecting assets, liabilities, equity, net income or cash flows**

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

A5. **Material changes in estimates**

There was no material changes in estimates used for preparation of the interim financial report.

A6. **Issuance or repayment of debts and equity securities**

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities for the current quarter under review.

The shares repurchased are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act, 2016. As at 31 August 2019, 1,290,800 ordinary shares have been purchased for RM949,950 including the transaction costs.

A7. **Dividend paid**

There were no dividends paid during the quarter under review.

A8 **Segmental reporting**

31 August 2019			**Property**		
REVENUE	**Construction RM'000**	**Trading RM'000**	**Development RM'000**	**Others RM'000**	**Consolidated RM'000**
Total revenue	204,770	11,672	1,451	-	217,893
Inter-segment revenue	-	-	-	-	-
Revenue from external customer	204,770	11,672	1,451	-	217,893
RESULT					
Segment results	6,705	298	(1,585)	2,688	8,106
Finance costs	(1,422)	-	(71)	-	(1,493)
Interest income	234	5	35	17	291
Profit/(loss) before tax	5,517	303	(1,621)	2,705	6,904
Tax expense	(2,710)	(61)	(1,629)	(7)	(4,407)

No segmental information is provided on geographical basis as the Group's activities are conducted wholly in Malaysia.

A9. **Valuation of property, plant and equipment**

Property, plant and equipment of the Group are stated at cost less accumulated depreciation and impairment loss, if any.

There was no valuation of the property, plant and equipment during the current quarter under review.

A10. **Changes in the composition of the Group**

There were no changes in the composition of the Group during the quarter under review.

A11. **Contingent liabilities**

The details of Company contingent liabilities as at 31 August 2019 are as follows:

	RM'000
Secured:	
Guarantees given to financial institutions on credit facilities granted to subsidiaries	182,210
Unsecured:	
Guarantees given to a third parties for performance in the construction agreement granted to a subsidiary	19,481
Guarantees given to suppliers for credit facilities granted to a subsidiary	3,500
Guarantees given to a financial institution on credit facilities granted to a subsidiary	264,000
Guarantees given to a financial institution on credit facilities granted to a joint venture	280,770
	567,751

A12. **Commitments**

There was no capital commitment in the financial year ended 31 August 2019, except as disclosed below:

	RM
Capital expenditure contracted but not provided for in respect of:-	
- purchase of land held for property development	62,400,000

A13. **Subsequent events**

There was no other material events subsequent to the financial year ended 31 August 2019 up to the date of this report.

A14. **Cash and cash equivalents**

Cash and cash equivalents included in the statements of cash flows comprise the following:

	RM
Cash and bank balances	4,164,794
Fixed deposits with licensed banks	14,215,866
	18,380,660
Less:	
Deposits pledged with financial institution	(2,107,932)
	16,272,728

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. **Review of performance**

Financial review for current quarter and financial year to date

	Individual Period		Changes (%)	Cumulative Period		Changes (%)
	Current Year Quarter	Preceding Year Corresponding Quarter (Restated)		Current Year To-Date	Preceding Year (Restated)	
	31/08/2019 RM '000	31/08/2018 RM '000		31/08/2019 RM '000	31/08/2018 RM '000	
Revenue	74,166	69,286	7	217,893	286,070	(24)
Operating Profit/(Loss)	1,628	(418)	489	5,602	616	809
Profit Before Interest and Tax	3,865	903	328	8,397	1,884	346
Profit Before Tax	3,589	791	354	6,904	1,688	309
Profit After Tax	1,305	811	61	2,497	899	178
Profit Attributable to Ordinary Equity Holders of the Parent	1,305	811	61	2,497	899	178

For the financial year ended 31 August 2019, the Group achieved revenue of RM217.893 million and profit before tax of RM6.904 million as compared to RM286.070 million and RM1.688 million respectively for the preceding year.

The increased in profit before tax of the Group in the current financial year as compared to the preceding year was due mainly to lower rectification cost incurred for the completed properties. The higher revenue in preceding year was due mainly to inventories sold.

Detailed analysis of the performance for the respective operating business segments for the year ended 31 August 2019 is as follows:

<u>Construction</u>
The Group recorded revenue of RM204.770 million and profit before tax of RM5.517 million as compared to the preceding year of RM173.587 million and RM3.992 million respectively. The increased of profit before tax was in line with the increased in revenue. This was mainly attributed from the construction of office tower at Jalan Conlay, Kuala Lumpur and *"Perumahan Penjawat Awam Malaysia"* ("PPAM") project in Sentul.

<u>Property development</u>
The Group recorded revenue of RM1.451 million and a loss before tax of RM1.621 million as compared to the preceding year revenue of RM80.860 million and RM3.094 million respectively. The higher revenue in preceding year was due mainly to inventories sold. The loss before tax in this segment was due mainly to cost of rectification works for completed properties and operating expenses incurred.

<u>Trading</u>
The Group recorded revenue of RM11.672 million and profit before tax of RM0.303 million as compared to the preceding year of RM31.623 million and RM1.025 million respectively. The decreased in sales in the current year was due mainly to lower volume of building materials being traded and consumed by our appointed sub-contractors for the Group's construction division.

B2. **Comparison with preceding quarter results**

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter (Restated)	Changes (%)
	31/08/2019 RM '000	31/05/2019 RM '000	
Revenue	74,166	39,631	87
Operating Profit	1,628	2,200	(26)
Profit Before Interest and Tax	3,865	1,665	132
Profit Before Tax	3,589	1,053	241
Profit After Tax	1,305	308	854
Profit Attributable to Ordinary Equity Holders of the Parent	1,305	308	854

For the current quarter under review, the Group recorded a profit before tax of RM3.589 million as compared to RM1.053 million in the immediate preceding quarter. The higher profit before tax in the current financial quarter as compared to the immediate preceding quarter was due mainly to share of profit of a joint venture in current quarter.

B3. **Commentary on prospects**

The Global and local economic outlook is expected to remain challenging in view of the rise of the US-China trade conflict, disrupting global trade and economic growth prospects. We expect the current uncertain and volatile state to remain in the near term with concerns spread over to other economic entities affecting investor confidence across the globe. As an open trade entity, Malaysia’s prospects will also be pressurised by these damaging waves. In response to this, the Government has announced a public and business-friendly and pro-growth Budget 2020 against the backdrop of rising global uncertainties and trade disruption risks. The Government’s new mantra “Shared Prosperity Vision 2030” has geared-up for a new direction in the next decade, outlining the opportunities and challenges for the nation and steps will be taken to address wealth inequality and narrowing the urban-rural development gap without affecting growth of the country.

The construction sector supports the ecosystem of around 140 other downstream industries; a weak growth of this sector would have significant ripple effects on the economy. Based upon this, the Government after a detailed review has recommenced several mega construction and infrastructure activities aimed at energising the sector and have a broad-based sustainable impact on the local economy.

The property market has been in the doldrums for the past few years with oversupply and high overhang inventory rate in certain categories of real property. A property overhang is defined as units that are completed and issued with certificate of completion and compliance, but remain unsold nine months after launch. The current situation requires Government intervention, given its weight to the greater economy as a prolonged weak property market will stretch into other areas of the economy. Encouragingly, the recent Budget 2020 has announced measures to promote easier access to affordable homes such as Rent-to-Own financing scheme and relaxed the threshold for foreigners to purchase unsold real estate. Generally, to boost the real property sector, market sentiment and buyer confidence levels must be restored.

We maintain a stable with cautious outlook for the Group’s businesses for financial year 2020 amid the local and global uncertainties. As highlighted above, construction segment continues to be the core and emphasis will be given to the Group’s soon-to-be launched residential development schemes as housing is a basic need. We also intend to take advantage of the various Government initiatives in the coming year and ride on mid-level market demand due to population growth and urbanisation.

The Board of Directors is optimistic about the Group’s ability to continue to achieve satisfactory performance for the financial year ending 31 August 2020.

B4. **Variance of actual and forecast profit**

The Group did not issue any forecast for the current quarter and therefore this is not applicable.

B5. **Corporate proposal**

There are no corporate proposals announced as at the date of this report except as follows:

On 15 April 2016, Bayu Melati Sdn Bhd ("BMSB"), a wholly-owned subsidiary of the Company had entered into a conditional sale and purchase agreement with Aturan Utama Sdn Bhd to acquire three (3) parcels of leasehold land held under H.S.(D) 54886, 54887 and 54888 for PT No. 4505, 4506 and 4507, Mukim Bandar Selayang, District Gombak, State of Selangor ("Land") for an aggregate purchase price of RM77,735,849 ("Purchase Price"). The Development Order for BMSB's proposed commercial development on the Land includes a condition requiring BMSB to build affordable homes, as such the Purchase Price for the Land has been reduced to RM70,000,000 only ("Proposed Acquisition").

On 7 September 2017, the Company at an Extraordinary General Meeting had obtained shareholders' approval of the Proposed Acquisition. The completion of the Proposed Acquisition is still subject to and conditional upon the conditions precedent being fulfilled.

B6. **Income tax expense**

	Current Quarter 31 August 2019 RM'000	Current Year To-Date 31 August 2019 RM'000
Current tax expense	655	2,453
(Over)/Under provision in prior year	-	325
	655	2,778
Deferred tax expense	1,629	1,629
Total	2,284	4,407

The tax expense for the current quarter and current year to-date is derived based on management's best estimate of the tax rate for the financial year. The effective tax rate of the Group was higher than the statutory tax rate due mainly to business losses of certain subsidiaries and under provision of tax in prior year.

B7. **Group borrowings**

There were no other borrowings and debts securities in the Group as at 31 August 2019, except as disclosed below:-

	31 August 2019		31 August 2018	
	Short term	Long term	Short term	Long term
Secured	RM'000	RM'000	RM'000	RM'000
Hire-purchase	249	185	289	245
Term loan	40,593	731	14,811	1,197
	40,842	916	15,100	1,442

B8. **Off balance sheet financial instruments**

There are no financial instruments with off balance sheet risk as at the date of this report.

B9. **Material litigation**

As at the date of this announcement, there are no material litigations against the Group or taken by the Group.

B10. **Dividends**

The directors proposed a first and final single tier dividend of 1.0 sen per ordinary share, amounting to RM1,187,096 in respect of the financial year ended 31 August 2019 (2018: single tier dividend of 1.0 sen per ordinary share). The dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

B11. **Notes to the Statement of Comprehensive Income**

The profit for the period has been arrived at after crediting/(charging):-

	Current Quarter 31 August 2019 RM'000	**Current Year To-Date 31 August 2019 RM'000**
Interest income	104	291
Other income including investment income	178	1,110
Unwinding of discount on amount due from joint venture	485	485
Reversal of impairment loss	(8)	102
Impairment loss	(782)	(805)
Interest expenses	(275)	(1,493)
Depreciation and amortisation	(109)	(438)

Save as disclosed above, the other items as required under Appendix 9B, Part A (16) of the Bursa Malaysia Listing Requirements are not applicable.

B12. **Earnings per share**

(a) Basic earnings per share

Basic earnings per share for the current quarter and financial year to-date are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares in issue, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

	Current quarter 31/08/19	**Preceding year corresponding quarter 31/08/18 (Restated)**	**Current year To-date 31/08/19**	**Preceding year corresponding year to-date 31/08/18 (Restated)**
Profit attributable to owners of the parent (RM)	1,305,180	811,409	2,497,285	899,043
Number of ordinary shares ('000)	118,710	119,169	118,710	119,169
Weighted average number of ordinary shares ('000)	118,710	119,184	118,865	119,290
Basic earnings/(loss) per share (sen)	1.10	0.68	2.10	0.75

(b) Diluted earnings per share

The Group does not have any convertible shares or financial instruments for the current quarter and financial year to-date.

By Order of the Board

Wong Youn Kim
Chan Chee Yean
Company Secretaries
Kuala Lumpur
30 October 2019