

SBC CORPORATION BERHAD
NOTES TO INTERIM FINANCIAL REPORT

A1) Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standards (“FRS”) 134: “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2014. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position performance of the group since the year ended 31 March 2014.

A2) Status of Qualification of Preceding Financial Statements

The financial statements of the Group for the financial year ended 31 March 2014 was not qualified.

A3) Seasonality or Cyclicity of Operations

There were no seasonal factors directly affecting the operations of the Group, except for economic cyclical factors which will have an impact on the property and construction sectors.

A4) Unusual Events

There were no unusual event recorded during the financial period under review.

A5) Changes in Estimates

There were no changes in estimates since the financial year ended 31 March 2014.

A6) Issuance and Repayment of Debt and Equity Instruments

In accordance with the Proposed Bonus Issue announced on 27 May 2014, 78,257,295 shares have been issued in the quarter under review.

Other than the above, there were no issuance or repayment of debt and equity securities, share cancellation and resale of treasury shares for the quarter under review.

As at 31 March 2015, the number of treasury shares held in hand are 58,900 shares.

A7) Dividend Paid

On 3rd November 2014, the Company paid a first and final single tier dividend of 4.75% on the ordinary shares amounting to RM7,434,441.74 in respect of the financial year ended 31 March 2014.

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A8) Segmental Reporting

Business Segments:-

	Revenue RM'000	Profit Before Tax RM'000	Assets Employed RM'000
Construction	125,252	9,409	169,753
Property Development	147,665	16,169	612,060
Investment	9,526	(487)	430,808
Less : Inter-segment	(133,121)	(1,120)	(641,334)
Group	<u>149,332</u>	<u>23,971</u>	<u>571,287</u>

A9) Material Subsequent Events

There was no material event subsequent to the end of the financial period under review.

A10) Changes in Corporate Structure

SBC had on 10th April, 2014 incorporated a wholly-owned subsidiary company called Jesselton Quay Properties Sdn. Bhd. (Company No. 1088505-V)

A11) Contingent Liabilities / Assets

There were no material contingent liabilities for the Group as at the date of this announcement.

A12) Realised and Unrealised Profits / Losses Disclosure

	Quarter ended 31/03/2015 RM'000	As at preceding financial year ended 31/03/2014 RM'000
Total retained profits		
- Realised	219,707	233,285
- Unrealised	(4,188)	(4,188)
Less: Consolidation adjustments	<u>(78,448)</u>	<u>(103,095)</u>
Total Group Retained Profits as per consolidated accounts	137,071	126,002

B1) Performance Review

The Group recorded revenue of RM149 million for the year ended 31 March 2015 compared to the corresponding preceding year of RM139 million. The profit before tax for the period was RM24.0 million compared to the corresponding preceding year of RM47.9 million. The decrease in profit before tax is mainly due to the lower profit margin of the current year's projects as compared to previous year's projects.

The breakdown of its revenue is as follows:-

Revenue	Quarter ended 31/03/2015 RM'000	Year-to-date ended 31/03/2015 RM'000
Construction	61,540	125,252
Property Development	60,299	147,665
Investment	3,961	9,526
Less: inter-segment	(65,078)	(133,111)
	<u>60,722</u>	<u>149,332</u>

Profit Before Tax	Quarter ended 31/03/2015 RM'000	Year-to-date ended 31/03/2015 RM'000
Construction	5,481	9,409
Property Development	3,277	16,169
Investment	423	(487)
Less: inter-segment	(4,080)	(1,120)
	<u>5,101</u>	<u>23,971</u>

B2) Comparison of profit before tax for the quarter with the immediate preceding quarter

The revenue for the current quarter is RM60.7 million compared to the preceding quarter of RM18.2 million. The profit before tax for the current quarter was reported at RM5.1 million as compared to the preceding quarter of RM1.4 million. The increase in profit before tax is due to higher revenue contribution.

B3) Business Prospects

The Board of Directors is optimistic about the prospects moving forward as the Jesselton Quay Project is just about to commence.

B4) Review on Profit Forecast

Not applicable as no profit forecast was published.

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B5) Taxation

	Current year Quarter 31/03/2015 RM'000	Preceding year Corresponding Quarter ended 31/03/2014 RM'000	Current year To date 31.03/15 RM'000	Preceding year Corresponding Period 31.03.2014 RM'000
Income tax expense	225	2,029	5,638	14,723
	<u>225</u>	<u>2,029</u>	<u>5,638</u>	<u>14,723</u>

The effective tax rate for the quarter is lower than the statutory tax rate of 25% largely due to certain income not subject to tax.

B6) Status of Corporate Proposals

1. On 27 May 2014, on behalf of the Board of Directors of SBC Corporation Berhad (“SBC” or “the Company”), RHB Investment Bank Berhad announced that the Company proposes to undertake the following:
 - i) Bonus issue of 78,257,295 new ordinary shares of RM1.00 each in SBC (“SBC Share(s)”) (“Bonus Share(s)”) on the basis of one (1) Bonus Share for every two (2) SBC Shares held on an entitlement date to be determined and announced later (“Proposed Bonus Issue”);
 - ii) Increase in the authorised share capital of SBC from RM200,000,000 comprising 193,167,000 SBC Shares and 6,833,000 irredeemable cumulative convertible preference shares of RM1.00 each to RM300,000,000 comprising 300,000,000 SBC Shares (“Proposed IASC”); and
 - iii) Amendments to SBC’s Memorandum and Articles of Association (“Proposed Amendments”).

The Proposed Bonus Issue, Proposed IASC and Proposed Amendments are collectively referred to as the “Proposals”.

The Proposals are subject to and conditional upon approvals being obtained from the following:

- i) Bursa Malaysia Securities Berhad (“Bursa Securities”) which was obtained via its letter dated 22 August 2014 for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities;
- ii) the shareholders of SBC at an Extraordinary General Meeting (“EGM”) to be convened; and
- iii) any other relevant authorities and/or parties, if required.

The Proposed Bonus Issue, Proposed IASC and Proposed Amendments are inter-conditional upon one another.

At the EGM held on 30 September 2014, the shareholders of the Company had approved the Proposals.

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The Bonus Issue had been completed following the listing of and quotation for 78,257,295 Bonus Shares on the Main Market of Bursa Securities on 5 November 2014.

2. On 25 August 2014, the Company announced that it proposed to seek a renewal of authority from shareholders of the Company for the purchase of its own ordinary shares on Bursa Malaysia Securities Bhd of not more than ten percent (10%) of the issued and paid up share capital of the Company. (“Proposed Share Buy-Back Renewal”)

At the Annual General Meeting held on 30 September 2014, the shareholders of the Company had approved the Proposed Share Buy-Back Renewal.

B7) Details of Group Borrowings and Debt Securities

Group Borrowings

	As at Current Period ended 31/03/15	As at Preceding Financial Year Ended 31/3/14
	RM'000	RM'000
<u>Current</u>		
Bank overdraft (secured)	36,354	19,382
Banker's acceptance (secured)	10,000	10,700
Term loans (secured)	12,137	15,480
Hire Purchase (secured)	257	168
	<hr/> 58,748	<hr/> 45,730
<u>Non Current</u>		
Term loans (secured)	21,583	24,251
Hire Purchase (secured)	598	447
	<hr/> 80,929	<hr/> 70,428

B8) Gains or Losses arising from Fair Value Changes of Financial Liabilities

There were no gains or losses recognized for changes in the fair values of these liabilities for the financial period under review.

B9) Material Litigation

There were no pending material litigations for the financial period under review.

B10) Dividend

The Directors have recommended a first and final single tier dividend of 1.60 sen per share amounting to RM3,756,350.16 for the financial year ended 31 March 2015 in respect of ordinary shares as follows:-

- (a)(i) Amount per share: 1.60 sen single tier
(ii) Previous corresponding period: 4.75 sen single tier.
(iii) Total dividend for the financial year ended 31 March 2015: 1.60 sen single tier per share
- (b) The date of entitlement to dividend and the date of dividend payment will be announced at a later date.

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B11) Earnings per ordinary share

Basic earnings per share (“EPS”) is derived by dividing the profit after tax attributable to owners of the Parent by weighted average number of 234,771,885 (4th quarter 2014 -:202,408,234) ordinary shares of the Company in issue during the financial period under review, excluding treasury shares of 58,900 units held by the Company:-

	Quarter ended 31/03/15 RM'000	Year to date ended 31/03/15 RM'000
Profit attributable to Owners of the Parent	4,924	18,503
Basic earnings per share(in sen)	2.10	7.88

The computation of diluted EPS in respect of the financial period under review is not applicable.

B12) Profit before tax

Profit before tax is arrived at after charging/(crediting) the following items:

	Quarter Ended 31/03/2015 RM'000	Year-to-date Ended 31/03/2015 RM'000
(a) Interest income	(122)	(158)
(b) Other income excluding investment income	2,440)	(5,402)
(c) Interest expense	917	3,555
(d) Depreciation and amortization	383	1,551
(e) Provision for and write off of receivables	-	-
(f) Provision for and write off of inventories	-	-
(g) Gain or loss on disposal of quoted or unquoted Investment properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange gain or (loss)	98	98
(j) Gain or loss on derivatives	-	-
(k) Exceptional items	-	-