

SENTORIA GROUP BERHAD (Company No : 463344-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FINANCIAL QUARTER ENDED 30 JUNE 2018
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	UNAUDITED CURRENT YEAR QUARTER 30/06/2018 RM'000	UNAUDITED PRECEDING YEAR QUARTER 30/06/2017 RM'000	UNAUDITED CURRENT YEAR TO DATE 30/06/2018 RM'000	UNAUDITED PRECEDING YEAR TO DATE 30/06/2017 RM'000
Revenue	66,897	67,502	229,496	180,759
Cost of sales	(50,578)	(45,976)	(165,482)	(116,281)
Gross profit	16,319	21,526	64,014	64,478
Other income	135	360	770	728
Distribution expenses	(411)	(325)	(1,075)	(1,201)
Administration expenses	(11,117)	(8,732)	(30,751)	(27,182)
Amortisation and depreciation	(2,787)	(2,663)	(7,944)	(8,181)
Profit from operations	2,139	10,166	25,014	28,642
Finance income	253	143	730	440
Finance costs	(1,115)	(1,365)	(2,845)	(2,813)
Profit before taxation	1,277	8,944	22,899	26,269
Taxation	5,849	(2,556)	7,455	(7,250)
Net profit from operations	7,126	6,388	30,354	19,019
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Total comprehensive income	7,126	6,388	30,354	19,019
Net profit/(loss) from operations attributable to:				
Owners of the Company	7,121	6,413	30,353	19,053
Non-controlling interests	5	(25)	1	(34)
	7,126	6,388	30,354	19,019
Total comprehensive income attributable to:				
Owners of the Company	7,121	6,413	30,353	19,053
Non-controlling interests	5	(25)	1	(34)
	7,126	6,388	30,354	19,019
Profit per share attributable to owners of the Company:				
Basic (sen)	1.27	1.18	5.42	3.51
Diluted (sen)	1.27	1.17	5.37	3.47

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 September 2017 and the accompanying explanatory notes attached to the interim financial report.

SENTORIA GROUP BERHAD (Company No : 463344-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FINANCIAL QUARTER ENDED 30 JUNE 2018
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT END OF CURRENT YEAR TO-DATE 30/06/2018 RM'000	AUDITED AS AT PRECEDING YEAR ENDED 30/09/2017 RM'000
Non-Current Assets		
Property, plant and equipment	474,927	419,245
Biological assets	3,866	3,657
Property development costs	22,972	22,972
Investment properties	39,086	38,155
Fixed deposits with licensed banks	9,085	7,005
Investment in short term funds	7,951	7,524
Goodwill on consolidation	3	3
Deferred tax assets	64,964	50,361
Total Non-Current Assets	622,854	548,922
Current Assets		
Property development costs	224,955	185,032
Amount due from customers	39,364	15,270
Amount due from holding company	594	3,179
Inventories	2,452	1,734
Trade and other receivables	274,612	222,891
Tax recoverable	257	4
Investment in short term funds	-	8,000
Cash and bank balances	20,983	38,038
Total Current Assets	563,217	474,148
Total Assets	1,186,071	1,023,070
Equity and Liabilities		
Share capital	161,771	152,566
Treasury shares	(5,653)	(862)
Revaluation reserves	65,741	66,175
Warrant reserve	51,467	-
Retained earnings	259,376	228,589
	532,702	446,468
Non-controlling interests	954	953
Total Equity	533,656	447,421
Non-Current Liabilities		
Deferred tax liabilities	4,083	4,107
Borrowings	269,271	222,483
Total Non-Current Liabilities	273,354	226,590
Current Liabilities		
Trade and other payables	209,517	178,944
Borrowings	165,436	166,188
Tax payable	4,108	3,927
Total Current Liabilities	379,061	349,059
Total Liabilities	652,415	575,649
Total Equity and Liabilities	1,186,071	1,023,070
Net assets per share (RM)	0.95	0.90

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 September 2017 and the accompanying explanatory notes attached to the interim financial statements.

SENTORIA GROUP BERHAD (Company No : 463344-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FINANCIAL QUARTER ENDED 30 JUNE 2018
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to owners of the Company →						Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Distributable Treasury Shares RM'000	Share Premium RM'000	Revaluation Reserves RM'000	Warrant Reserve RM'000	Distributable Retained Earnings RM'000			
Unaudited									
Financial quarter ended 30 June 2018									
As at 1 October 2017	152,566	(862)	-	66,175	-	228,589	446,468	953	447,421
Crystallisation of revaluation reserves	-	-	-	(434)	-	434	-	-	-
Net profit from operations	-	-	-	-	-	30,353	30,353	1	30,354
Total comprehensive income	-	-	-	(434)	-	30,787	30,353	1	30,354
Transactions with owners									
Exercise of Warrants-A	10,013	-	-	-	-	-	10,013	-	10,013
Share issue expenses written off against share premium in accordance with Section 618(3) of Companies Act 2016	(808)	-	-	-	-	-	(808)	-	(808)
Own shares bought	-	(4,791)	-	-	-	-	(4,791)	-	(4,791)
Issuance of Warrants-B	-	-	-	-	51,467	-	51,467	-	51,467
Total transactions with owners	9,205	(4,791)	-	-	51,467	-	55,881	-	55,881
As at 30 June 2018	161,771	(5,653)	-	65,741	51,467	259,376	532,702	954	533,656
Unaudited									
Financial quarter ended 30 June 2017									
As at 1 October 2016	97,822	-	48,744	66,298	-	189,853	402,717	475	403,192
Crystallisation of revaluation reserves	-	-	-	(434)	-	434	-	-	-
Net profit from operations	-	-	-	-	-	19,053	19,053	(34)	19,019
Total comprehensive income	-	-	-	(434)	-	19,487	19,053	(34)	19,019
Transactions with owners									
Exercise of Warrants-A	6,000	-	-	-	-	-	6,000	-	6,000
Additional investment in a subsidiary company	-	-	-	-	-	-	-	475	475
Own shares bought	-	(851)	-	-	-	130	(721)	-	(721)
Total transactions with owners	6,000	(851)	-	-	-	130	5,279	475	5,754
Transition to no par value regime	48,744	-	(48,744)	-	-	-	-	-	-
As at 30 June 2017	152,566	(851)	-	65,864	-	209,470	427,049	916	427,965

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 30 September 2017 and the accompanying explanatory notes attached to the interim financial statements.

SENTORIA GROUP BERHAD (Company No : 463344-K)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FINANCIAL QUARTER ENDED 30 JUNE 2018
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED CURRENT YEAR TO DATE 30/06/2018 RM'000	UNAUDITED PRECEDING YEAR YEAR TO DATE 30/06/2017 RM'000
Operating Activities		
Profit before taxation	22,899	26,269
Adjustments for :		
Amortisation and depreciation	8,885	7,741
Interest and commission expenses	2,845	2,813
Gain on disposal of investment properties	(29)	-
Interest income	(730)	(440)
Operating profit before changes in working capital	33,870	36,383
Property development costs	(39,923)	(44,711)
Inventories	(718)	98
Amount due from customers	(24,094)	(360)
Receivables	(49,136)	(14,287)
Payables	30,573	(946)
Cash generated from operations	(49,428)	(23,823)
Interest and commission expense paid	(2,845)	(2,813)
Interest income received	730	440
Net tax paid	(7,243)	(6,512)
Net cash used in operating activities	(58,786)	(32,708)
Investing Activities		
Proceeds from subscription of shares in a subsidiary by non-controlling interest	-	475
Net movement in fixed deposits with licensed banks	(2,080)	(3,197)
Net movement in short term funds	(427)	(173)
Purchase of biological assets	(692)	(158)
Purchase of property, plant and equipment	(63,080)	(49,381)
Net movement in investment properties	(940)	-
Net cash used in investing activities	(67,219)	(52,434)
Financing Activities		
Proceeds from issuance of shares	10,013	6,000
Share issue expenses	(808)	-
Proceeds from issuance of Warrants-B	51,467	-
Proceeds from sale of treasury shares	-	855
Own shares bought	(4,791)	(1,576)
Repayment of finance lease liabilities	(776)	(900)
Drawdown of finance lease liabilities	-	1,553
Repayment of borrowings	(120,645)	(98,183)
Drawdown of borrowings	150,548	182,941
Net cash from financing activities	85,008	90,690
Net change in cash and cash equivalents	(40,997)	5,548
Cash and cash equivalents at beginning of financial year	18,580	(11,601)
Cash and cash equivalents at end of financial quarter	(22,417)	(6,053)
Cash and cash equivalents at the end of the financial quarter comprise the following:		
Cash and bank balances	20,983	15,459
Bank overdrafts	(43,400)	(21,512)
	(22,417)	(6,053)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 September 2017 and the accompanying explanatory notes attached to the interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

A1 Accounting policies and basis of preparation

The interim financial report is unaudited and is prepared in accordance with Financial Reporting Standard (“FRS”) 134 Interim Financial Reporting and Paragraph 9.22 of Bursa Malaysia Securities Berhad’s (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”).

The interim financial statements should be read in conjunction with the Audited Financial Statements for the financial year ended 30 September 2017 and these explanatory notes.

These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 September 2017.

The accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with those adopted in the Audited Financial Statements for the financial year ended 30 September 2017 except for the changes in accounting policies and presentation resulting from the adoption of new and revised Financial Reporting Standards (“FRS”) and Amendments to FRSs that are effective for the financial periods beginning on or after 1 October 2017.

The Group has not adopted the following new FRSs, Amendments to FRSs and Interpretations issued by Malaysian Accounting Standards Board (“MASB”):

FRS, Amendments to FRSs and Interpretation effective 1 January 2018

FRS 9	Financial Instruments (International Financial Reporting Standard (“IFRS”) 9 issued by International Accounting Standards Board (“IASB”) in July 2014)
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to FRS 4	Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts*
Amendments to FRS 140	Transfer of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to FRS Standards 2016-2016 Cycle (except for Amendments to FRS12 Disclosure of Interests in Other Entities)	

* See FRS 4 Paragraphs 46, 47A and 48 for the effective date

Amendments to FRSs 2 and 4 are not applicable to the Group’s existing operations.

The adoption of the above FRSs, Amendments to FRSs (except for FRS 9) and Interpretations are not expected to have any significant financial impact to the Group. As for FRS 9, the financial impacts in the period of initial application cannot be determined at present.

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NOTES TO THE FINANCIAL STATEMENTS

New MASB Approved Accounting Standards

To converge with IFRSs in 2012, MASB had on 19 November 2011, issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRSs”), which are mandatory for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and MFRS 15 Revenue from Contracts with Customers for Construction, including its parent, significant investor and venture (“Transitioning Entities”).

Transitioning Entities will be allowed to defer adoption of the new MFRSs. Consequently, adoption of MFRSs by Transitioning Entities will be mandatory for annual financial periods beginning on or after 1 January 2018.

The Group falls within the scope of Transitioning Entities and has opted to defer the adoption of MFRSs. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 30 September 2019.

In presenting its first MFRS financial statements, the Group will be required to restate its comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group has not completed their quantification of the financial effects of the differences between FRSs and MFRSs and as such, are unable to assess the said differences. Accordingly, the Group’s financial performance and position as disclosed in the interim financial statements could be different if prepared under the MFRS Framework.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 30 September 2019. In addition to the adoption of the MFRS Framework, the following new MFRSs, Amendments to MFRSs and Interpretations have been issued by MASB but not yet effective:

MFRS effective 1 January 2018

MFRS 15 Revenue from Contracts with Customers
Clarification to MFRS 15

MFRS, Amendments to MFRSs and IC Interpretation effective 1 January 2019

MFRS 16	Leases
Amendments to MFRS 9	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119	Post-employment Benefits: Defined Benefits Plans
Amendments to MFRS 128*	Investments in Associates and Joint Ventures: Long-term Interest in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

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QUARTER ENDED 30 JUNE 2018**

NOTES TO THE FINANCIAL STATEMENTS

Amendments to MFRSs and IC Interpretations effective 1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards

MFRS effective 1 January 2021
MFRS 17 Insurance Contracts

Amendments to MFRS (deferred effective date to be announced by MASB)
Amendments to MFRS 10 and 128 Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* MFRS 9, 17, 119 and 128 are not applicable to the Group's existing operations.

A2 Auditors' report on preceding annual financial statements

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

A3 Seasonality or cyclicity of operations

The operations of the property development segment were not subjected to seasonal or cyclical factors. As for the leisure and hospitality segment, its operations normally peak during major festivities, and public and school holiday seasons.

A4 Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flow for the current financial year to-date.

A5 Changes in estimates

There were no changes in estimates of amounts reported in a prior financial quarter of the current financial year or a prior financial year, which have material impact on the current financial year to-date.

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QUARTER ENDED 30 JUNE 2018**

NOTES TO THE FINANCIAL STATEMENTS

A6 Changes in debt and equity securities

During the current financial year to-date, the Company:

- (a) increased its issued ordinary share capital from RM152,565,976 to RM162,578,768 by the issuance of 16,687,986 new shares on the exercise of Warrants-A pursuant to the Warrants-A deed poll of 27 March 2014 at the exercise price of 60 sen per share;
- (b) issued 51,466,801 million bonus ordinary shares on the basis of one bonus share for every ten existing shares held at an issue price of 20 sen per share by the capitalisation of the share premium account pursuant to Section 618(3) of the Companies Act 2016 ("Bonus Issue"). As a consequence of the Bonus Issue, the Company issued 1,219,957 additional Warrants-A pursuant to the Warrants-A deed poll of 27 March 2014;
- (c) issued 205,867,236 million new Warrants-B at an issue price of 25 sen per warrant on the basis of four Warrants-B for every ten existing shares held. Each Warrant-B entitled the registered holder to subscribe for one new ordinary share in the Company at 60 sen per share during the exercise period expiring on 9 January 2025; and
- (d) bought 7,834,900 of its own ordinary shares from the open market at an average price of 61.1 sen per share. The total consideration paid for the purchased shares including transaction costs amounting to RM4,790,639 was financed by internally generated funds. These purchased shares were dealt with as treasury shares in accordance with Section 127 of the Companies Act 2016.

Other than the above, there were no issuances, cancellations, repurchases, resales and repayments of debt and equity securities during the current financial year to-date.

Subsequent to the end of the current financial year to-date and as of 21 August 2018, the Company bought a further 446,000 of its own ordinary shares from the open market at an average price of 51.7 sen per share. The total consideration paid for the purchased shares including transaction costs amounting to RM230,649 was also financed by internally generated funds. These purchased shares were dealt with as treasury shares in accordance with Section 127 of the Companies Act 2016.

As at 21 August 2018, out of the Company's total 567,265,891 issued ordinary shares, 9,411,900 are held as treasury shares by the Company.

A7 Dividends paid

No dividends were paid by the Company during the current financial year to-date.

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NOTES TO THE FINANCIAL STATEMENTS

A8 Segmental information

The Group has identified property development, leisure and hospitality and others as operating segments. These segments are monitored and strategic decisions are made on the basis of adjusted segment results.

Segment results for the current financial year to-date were as follows:

	Property Development RM'000	Leisure & Hospitality RM'000	Others RM'000	Elimination/ Adjustments RM'000	Consolidated RM'000
Revenue					
External	194,122	35,374	-	-	229,496
Inter-segment	-	976	-	(976)	-
	194,122	36,350	-	(976)	229,496
Results					
Segment profit/(loss)	29,962	(4,158)	(1,562)	772	25,014
Finance income	475	4	251	-	730
Finance costs	(1,243)	(1,410)	(192)	-	(2,845)
Profit/(loss) before taxation	29,194	(5,564)	(1,503)	772	22,899
Taxation	(7,044)	14,500	(1)	-	7,455
Net profit/(loss) from operations	22,150	8,936	(1,504)	772	30,354

The Group's business are operated entirely within Malaysia and as such, no segment information based on geographical location is presented.

A9 Material events subsequent to the end of the current financial quarter

There were no material events subsequent to the end of the current financial quarter which have not been reflected in the interim financial statements.

A10 Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial quarter.

A11 Contingent assets and contingent liabilities

There were no material changes to the contingent assets and contingent liabilities of the Group since the end of the prior financial year.

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NOTES TO THE FINANCIAL STATEMENTS

A12 Capital commitments

The Group's capital commitments at the end of the current financial quarter were as follows:

	RM'000
Authorised and contracted for	49,201
Authorised but not contracted for	-

A13 Related party transactions

(a) The Group's significant related party transactions during the current financial year to-date were as follows:

	RM'000
<u>Transactions with companies in which certain Directors have interests:</u>	
Rental expenses paid/payable	259
Sales of food and beverages, room sales and provision of transportation services	10
Rental income received/receivable	217
<u>Transactions with holding company</u>	
Rental expenses paid/payable	18
<u>Transactions with persons connected with a Director</u>	
Rental expenses paid/payable	45
Commission paid/payable	135

(b) During the current financial year to-date:

- (i) the holding company's shares in the Company were pledged as security for the construction and completion of a joint venture development project of the Group. The market value of these shares as at the end of the current financial quarter was approximately RM14.0 million. The holding company also provided a corporate guarantee and indemnity to guarantee the payment by the Group of certain sums of up to RM30.0 million due to the land owner for the project concerned.
- (ii) certain Directors jointly and severally guaranteed banking facilities granted to a subsidiary company. The amount of these facilities outstanding as at the end of the current financial quarter was approximately RM1.4 million.

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NOTES TO THE FINANCIAL STATEMENTS

B1 Review of performance

	Individual Period		Changes +/(-) %	Cumulative Period		Changes +/(-) %
	Current Year Quarter	Preceding Year Quarter		Current Year To Date	Preceding Year To Date	
	30.6.2018	30.6.2017		30.6.2018	30.6.2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue						
Property Development	55,876	57,487	-2.8	194,122	148,664	+30.6
Leisure & Hospitality	11,021	10,015	+10.0	35,374	32,095	+10.2
	66,897	67,502	-0.9	229,496	180,759	+27.0
Profit from operations	2,139	10,166	-79.0	25,014	28,642	-12.7
Profit before taxation	1,277	8,944	-85.7	22,899	26,269	-12.8
Net profit from operations	7,126	6,388	+11.6	30,354	19,019	+59.6
Profit attributable to owners of the Company	7,121	6,413	+11.0	30,353	19,053	+59.3

The Group's revenue for current financial quarter ("CFQ") and the preceding year's corresponding financial quarter was more or less the same with the CFQ decreasing marginally by 0.9% year-on-year ("YoY"). This decrease in revenue was mainly due to lower billings for the development projects in Kuching and Morib as certain projects in these areas neared completion. On a positive note, the Leisure & Hospitality Division ("LHD") achieved a YoY increase in revenue of 10.0%. The opening of the Borneo Samariang Water Park ("BSWP") in late March 2018 was a contributory factor to the improved LHD's performance.

Profit from operations and profit before taxation ("PBT") for the CFQ decreased by 79.0% and 85.7% YoY to RM 2.1 million and RM1.3 million respectively. These declines in profitability with revenue remaining unchanged YoY was due to increased construction costs which consequently resulted in lower developer margins from the on-going projects carried out by the Group compared to those margins attained in previous years. The YoY increase of RM2.8 million in other operating expenses was also a contributory factor to the reduced profits.

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Net profit from operations and profit attributable to the owners of the Company for the CFQ of RM7.1 million were 11.6% and 11.0% respectively higher than those of the preceding year's corresponding financial quarter. These increases were due to the recognition of the deferred tax asset of RM6.9 million in relation to the unutilised investment tax allowances of BSWP during the CFQ.

For current financial year to-date ("CFY"), Group's revenue was higher than that of the preceding year's corresponding period by 27.0% YoY. With the CFQ's revenue flat YoY, the higher revenue to-date was due to the strong growth of 43.6% YoY in revenue in the preceding six months.

Despite the double-digit growth in revenue for the CFY, its profit from operations and PBT decreased by 12.7% and 12.8% respectively YoY to RM25.0 million and RM22.9 million. These decreases were mainly due to the lower developer margins as mentioned earlier.

As for the sharp increases of more than 59.0% in net profit from operations and profit attributable to owners of the Company for CFY, this was due to the deferred tax asset recognised referred to in Note B5.

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B2 Comparison with immediate preceding quarter's results

	Current Year Quarter	Immediate Preceding Quarter	Changes +/-
	30.6.2018	31.3.2018	
	RM'000	RM'000	%
Revenue			
Property Development	55,876	65,663	-14.9
Leisure & Hospitality	11,021	9,594	+14.9
	66,897	75,257	-11.1
Profit from operations	2,139	7,294	-70.7
Profit before taxation	1,277	6,924	-81.6
Net profit from operations	7,126	12,164	-41.4
Profit attributable to owners of the Company	7,121	12,150	-41.4

Group's revenue of RM66.9 million for the CFQ was 11.1% lower than that of RM75.3 million achieved in the preceding financial quarter. This decrease was mainly due to the lower billings from the development projects in Kuantan and Morib. The decrease in contribution by the Property Development Division was partly mitigated by the incremental revenue of RM1.4 million quarter-on-quarter ("QoQ") from the LHD. This additional revenue was mainly contributed by BSWP which was opened end March 2018.

The reduced revenue from the PDD coupled with higher construction costs, higher operating expenses and finance costs QoQ caused the profit from operations and PBT for the CFQ to decline to RM2.1 million and RM1.3 million from those of RM7.3 million and RM6.9 million respectively attained in the preceding financial quarter. These declines in profitability caused the net profit from operations and profit attributable to owners of the Company to be lower by 41.4% QoQ.

B3 Commentary on prospects

The Group's residential properties, almost all of which are affordable homes and priced below RM300,000 should continue to be in demand as they are targeted for the Bottom 40% (B40) and the Middle 40% (M40) households. This pricing is in line with the median house price in the country of RM282,000 for the first quarter of 2018 (*National Property Information Centre's The Residential Prices Quarterly Update Report for the same period*).

Going forward, the National Housing Policy and the proposed establishment of a single entity to oversee and coordinate affordable housing development which are expected to be rolled out in September 2018 by the Ministry of Housing and Local Government in September 2018 should augur well for the Group as it is expected to address issues faced by the housing industry.

The reintroduction of the Sales and Services Tax ("SST") on 1 September 2018 in place of the Goods and Services Tax is expected to ease the pressure on

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construction costs as major building materials such as, bricks, cement, concrete and steel bars, and services are expected to have SST exemption. However, the full effects of the cost savings would only be known when the full list of SST exemption items are announced and in any case, these savings, if any, would not have a significant impact on the Group for the CFQ.

The Group's unbilled sales from its on-going projects in Kuantan, Morib and Kuching stood at RM321.4 million as of 30 June 2018. These on-going projects should ensure that the Group will be profitable for the rest of the CFQ.

The opening of the BSWP at the end of March 2018 had some impact on the results of the LHD for the CFQ; the Group is optimistic that BSWP together with Langkawi Nature Park and Bukit Gambang Resort City should improve the performance of the LHD going forward.

B4 Profit forecast or profit guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax with profit forecast and shortfall in profit guarantee are not applicable.

B5 Taxation

	Current Year Quarter RM'000	Current Year To- Date RM'000
Current income tax - Malaysian income tax	1,053	7,148
Deferred taxation	(6,902)	(14,603)
	<u>(5,849)</u>	<u>(7,455)</u>
Effective income tax rate	<u>-</u>	<u>-</u>

The deferred taxation is in respect of the unutilised investment tax allowances of a subsidiary company.

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NOTES TO THE FINANCIAL STATEMENTS

B6 Status of corporate proposals announced

There were no corporate proposals announced but not completed as of 21 August 2018.

The on-going post-completion matter arising from the issuance of Warrants-B referred to in Note A6 is in relation to the utilisation of the gross proceeds as follows:

Purpose	Proposed utilisation	Actual utilisation up to 21 August 2018	Estimated timeframe for utilisation from 12 January 2018
	RM'000	RM'000	
Working capital			
Property development projects	35,000	35,000	Within 12 months
General working capital	15,476	15,669	Within 6 months
Defrayment of estimated expenses	1,000	807	Immediate
Total	51,476	51,476	

B7 Borrowings and debt securities

The Group's borrowings, all of which were secured and denominated in RM as at the end of the CFQ were as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Bankers' acceptances	28,765	-	28,765
Bridging loan	16,386	35,295	51,681
Bank overdrafts	43,400	-	43,400
Revolving credit	35,389	-	35,389
Finance lease liabilities	1,101	1,182	2,283
Term loans	40,395	232,794	273,189
	<u>165,436</u>	<u>269,271</u>	<u>434,707</u>

B8 Changes in material litigation

The Group has no material litigation as of 21 August 2018.

B9 Dividends

No dividend has been declared or recommended for the current financial year to-date.

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NOTES TO THE FINANCIAL STATEMENTS

B10 Earnings per share

(i) Basic earnings per share

The basic earnings per ordinary share for a financial period is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period concerned.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.6.2018	Preceding Year Quarter 30.6.2017	Current Year To-Date 30.6.2018	Preceding Year To-Date 30.6.2017
Profit attributable to owners of the Company (RM'000)	7,121	6,413	30,353	19,053
Weighted average number of ordinary shares in issue ('000)	558,917	543,754	559,684	542,184
Basic earnings per shares (sen)	1.27	1.18	5.42	3.51

(ii) Diluted earnings per share

The diluted earnings per ordinary share for a financial period is calculated by dividing the profit attributable to owners of the Company divided by the weighted average number of ordinary shares outstanding and the assumed conversion of warrants outstanding during and as of the end of the financial period concerned respectively.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.6.2018	Preceding Year Quarter 30.6.2017	Current Year To-Date 30.6.2018	Preceding Year To-Date 30.6.2017
Profit attributable to owners of the Company (RM'000)	7,121	6,413	30,353	19,053
Weighted average number of ordinary shares in issue ('000)	562,346	546,400	565,579	548,806
Diluted earnings per shares (sen)	1.27	1.17	5.37	3.47

The calculation of the weighted average number of ordinary shares in issue for the preceding year quarter and year to-date was adjusted for the Bonus Issue referred to in Note A6. Accordingly, the basic and diluted earnings per share for the said periods were adjusted retrospectively.

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NOTES TO THE FINANCIAL STATEMENTS

B11 Profit before taxation

Profit before taxation is arrived at after taking into account the following income/(expenses):

	Current Year Quarter RM'000	Current Year To- Date RM'000
Interest income	253	730
Other income	135	770
Interest and commission expense	(1,115)	(2,845)
Amortisation and depreciation	(2,787)	(7,944)
Gain on disposal of investment properties	-	29

The following items which were not disclosed were not applicable:

- (a) Allowance and write off of receivables;
- (b) Allowance and write off of inventories;
- (c) Impairment of assets;
- (d) Foreign exchange gain or loss;
- (e) Gain or loss on derivatives; and
- (f) Exceptional items (with details).

By order of the Board

Datuk Tan Leh Kiah
Company Secretary

28 August 2018