KUMPULAN PERANGSANG SELANGOR BERHAD

(Company No. 23737-K)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

KUMPULAN PERANGSANG SELANGOR BERHAD
Company No. 23737 K

A1 Unaudited Condensed Consolidated Income Statement For The Quarter Ended 30 June 2017

PARTICULARS	INDIVIDUAL QUARTER: CURRENT YEAR QUARTER 30/06/2017 RM'000	INDIVIDUAL QUARTER: PRECEDING YEAR CORRESPONDING QUARTER 30/06/2016 RM'000	VARIANCE RM'000	VARIANCE %	CUMULATIVE QUARTER: CURRENT YEAR TO DATE 30/06/2017 RM'000	CUMULATIVE QUARTER: PRECEDING YEAR CORRESPONDING PERIOD 30/06/2016 RM'000	VARIANCE RM'000	VARIANCE %
Revenue	75,948	26,907	49,041	182	152,704	46,097	106,607	231
Cost of sales	(55,905)	(18,722)	(37,183)	(199)	(110,666)	(33,246)	(77,420)	(233)
Gross profit	20,043	8,185	11,858	145	42,038	12,851	29,187	227
Other income	1,318	1,083	235	22	2,383	93,190	(90,807)	(97)
Other expenses	(22,130)	(9,782)	(12,348)	(126)	(42,761)	(19,812)	(22,949)	(116)
Operating (loss)/profit	(769)	(514)	(255)	(50)	1,660	86,229	(84,569)	(98)
Finance costs	(4,051)	(406)	(3,645)	(898)	(7,801)	(554)	(7,247)	(1,308)
Share of profit of associates	42,435	37,975	4,460	12	66,099	70,793	(4,694)	(7)
Profit before tax and zakat	37,615	37,055	560	2	59,958	156,468	(96,510)	(62)
Income tax and zakat	(2,024)	(1,085)	(939)	(87)	(3,168)	(3,347)	179	5
Profit for the period	**35,591**	**35,970**	**(379)**	**(1)**	**56,790**	**153,121**	**(96,331)**	**(63)**
Attributable to:								
- Owners of the parent	34,671	34,482	189	1	54,879	150,907	(96,028)	(64)
- Non-controlling interests	920	1,488	(568)	(38)	1,911	2,214	(303)	(14)
	35,591	**35,970**	**(379)**	**(1)**	**56,790**	**153,121**	**(96,331)**	**(63)**
Earnings per share ("EPS") attributable to owners of the parent (sen per share):								
Basic EPS	6.9	6.9	0	-	11.0	30.2	(19)	(1)
Diluted EPS	6.9	6.9	0	-	11.0	30.2	(19)	(1)

(The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

A2 Unaudited Condensed Consolidated Statement of Comprehensive Income For The Quarter Ended 30 June 2017

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
PARTICULARS	CURRENT YEAR QUARTER 30/06/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/00/2016 RM'000	VARIANCE RM'000	VARIANCE %	CURRENT YEAR TO DATE 30/06/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/00/2016 RM'000	VARIANCE RM'000	VARIANCE %
Profit for the period	35,591	35,970	(379)	(1)	56,790	153,121	(96,331)	(63)
Other comprehensive income (net of tax):								
Loss on foreign currency translation reserve	(1,664)	(675)	(989)	(147)	(1,892)	(675)	(1,217)	(180)
Total comprehensive income for the period	**33,927**	**35,295**	**(1,368)**	**(4)**	**54,898**	**152,446**	**(97,548)**	**(64)**
Attributable to:								
- Owners of the parent	33,381	34,077	(696)	(2)	53,446	150,502	(97,056)	(64)
- Non-controlling interests	546	1,218	(672)	(55)	1,452	1,944	(492)	(25)
	33,927	**35,295**	**(1,368)**	**(4)**	**54,898**	**152,446**	**(97,548)**	**(64)**

(The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

KUMPULAN PERANGSANG SELANGOR BERHAD
Company No. 23737 K

Unaudited Condensed Consolidated Statement of Financial Position
As at 30 June 2017

	30-Jun-17 RM'000	Audited 31-Dec-16 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	94,279	97,815
Investment properties	89,641	91,787
Investments in associates	1,144,035	1,078,986
Club membership	523	523
Intangible assets	213,925	214,577
Goodwill on consolidation	37,807	37,807
Long term receivables	35,663	35,663
Deferred tax assets	369	333
	1,616,242	1,557,491
Current assets		
Inventories	36,902	31,412
Receivables	112,652	117,035
Tax recoverable	1,513	1,522
Cash and bank balances	141,044	131,995
	292,111	281,964
TOTAL ASSETS	**1,908,353**	**1,839,455**
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Contributed share capital	538,092	538,092
Other reserves	9,669	11,029
Retained earnings	812,578	778,909
Shareholders' equity	1,360,339	1,328,030
Non-controlling interests	88,724	90,522
TOTAL EQUITY	1,449,063	1,418,552
Non-current liabilities		
Loans and borrowings (interest bearing)	168,386	159,201
Deferred tax liabilities	65,012	65,642
	233,398	224,843
Current liabilities		
Payables	91,781	82,126
Loans and borrowings	129,155	108,178
Tax payable	4,956	5,756
	225,892	196,060
TOTAL LIABILITIES	459,290	420,903
TOTAL EQUITY AND LIABILITIES	**1,908,353**	**1,839,455**
Net assets per ordinary share attributable to owners of the parent (RM)	2.73	2.66

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

KUMPULAN PERANGSANG SELANGOR BERHAD
Company No. 23737 K

Unaudited Condensed Consolidated Statement of Changes In Equity
For the period ended 30 June 2017

	Attributable to Owners of the Parent								
	Equity, total RM'000	Equity attributable to owners of the parent, total RM'000	Contributed share capital RM'000	Share premium RM'000	Other reserves, total RM'000	Foreign currency translation reserve RM'000	General reserve RM'000	Retained Earnings RM'000	Non-controlling Interests RM'000
At 1 January 2017	1,418,552	1,328,030	499,004	39,088	11,029	3,029	8,000	778,909	90,522
Total comprehensive income	54,971	53,519	-	-	(1,360)	(1,360)	-	54,879	1,452
Transactions with owners:									
Transfer to contributed share capital	-	-	39,088	(39,088)	-	-	-	-	-
Dividend for financial year ended 31 December 2016	(21,210)	(21,210)	-	-	-	-	-	(21,210)	-
Accreation of interest in a subsidiary	225	-	-	-	-	-	-		225
Dividend of subsidiaries	(3,475)	-	-	-	-	-	-	-	(3,475)
	(24,460)	(21,210)	39,088	(39,088)	-	-	-	(21,210)	(3,250)
At 30 June 2017	**1,449,063**	**1,360,339**	**538,092**	**-**	**9,669**	**1,669**	**8,000**	**812,578**	**88,724**
At 1 January 2016	1,254,647	1,237,215	499,004	39,088	8,000	-	8,000	691,123	17,432
Total comprehensive income	152,446	150,502	-	-	(405)	(405)	-	150,907	1,944
Transactions with owners:									
Transfer to contributed share capital	-	-	39,088	(39,088)	-	-	-	-	-
Dividend for financial year ended 31 December 2015	(9,980)	(9,980)	-	-	-	-	-	(9,980)	-
Dilution of interest in subsidiary	(4,096)	-	-	-	-	-	-	-	(4,096)
Acquisition of subsidiaries	11,199	-	-	-	-	-	-		11,199
Dividend of subsidiaries	(408)	-	-	-	-	-	-	-	(408)
	(3,285)	(9,980)	39,088	(39,088)	-	-	-	(9,980)	6,695
At 30 June 2016	**1,403,808**	**1,377,737**	**538,092**	**-**	**7,595**	**- 405**	**8,000**	**832,050**	**26,071**

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

KUMPULAN PERANGSANG SELANGOR BERHAD
Company No. 23737 K

Unaudited Condensed Consolidated Statement of Cash Flows
For the period ended 30 June 2017

	6 months ended 30-Jun-17 RM'000	6 months ended 30-Jun-16 RM'000
Cash Flows From Operating Activities		
Profit before tax and zakat	59,958	156,468
Adjustment for non-cash items	(61,220)	(156,987)
Adjustment for non-operating items	7,708	69
Operating profit/(loss) before working capital changes	6,446	(450)
Decrease/(increase) in working capital:		
Net change in current assets	(1,105)	(17,584)
Net change in current liabilites	(11,542)	750
Cash used in operating activities	(6,201)	(17,284)
Tax and zakat paid, net of refunds received	(4,603)	(540)
Net cash used in operating activities	(10,804)	(17,824)
Cash Flows From Investing Activities		
Dividends received	1,050	-
Interest received	624	267
Profit from Islamic short term placement	93	79
Purchase of property, plant and equipment	(800)	(302)
Acquisition of subsidiaries	-	(101,251)
Additional investment in subsidiaries	-	(3,403)
Proceeds from assets held for disposal	-	60,000
Net movements in money market deposits	(378)	54,125
Net cash generated from investing activities	589	9,515
Cash Flows From Financing Activities		
Dividends paid to non-controlling interest	(3,475)	-
Interest paid	(7,801)	(148)
Drawdown of borrowings	30,260	56,000
Repayment of borrowings	(98)	(30,021)
Net movements in deposits with licensed banks	381	7,217
Net cash generated from financing activities	19,267	33,048
Net increase in cash and cash equivalents	9,052	24,739
Cash and cash equivalents at 1 January	122,681	19,657
Cash and cash equivalents at 30 June	**131,733**	**44,396**

Cash and cash equivalents included in the cash flows statement comprise:

	As at 30-Jun-17	As at 30-Jun-16
Cash and bank balances	141,044	55,955
Less:		
Deposits with licensed banks with maturity period of more than 3 months	(7,297)	(4,872)
Money market deposits	(2,014)	(6,687)
	131,733	**44,396**

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirement of FRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2016. The explanatory notes attached to the interim financial statements provide explanation of events and transactions that are significant to understand the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

A2 Significant Accounting Policies

The significant accounting policies adopted in preparing the interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2016 except for the adoption of the following new and revised Financial Reporting Standards (FRSs) and Amendments to FRSs with effect from 1 January 2017.

A2.1 Adoption of FRSs and Amendments to FRSs

On 1 January 2017, the Group adopted the following new and amended FRSs mandatory for annual financial periods beginning on or after 1 January 2017.

1 January 2017

FRS 107	Regulatory Deferral Accounts
FRS 112	Annual Improvements to FRSs 2012-2014 Cycle

The adoption of the above standards and amendments to standards did not have any material impact on the financial statements of the Group.

A2.2 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

1 January 2018

MFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

1 January 2019

MFRS 16	Leases

The Group plans to apply the abovementioned FRSs in the annual financial statements when they become effective and that the adoption of these standards will have no material impact on the financial statements of the Group in the period of initial application.

A2.3 Malaysian Financial Reporting Standards ("MFRS Framework")

On 19 November 2011, the Malaysian Accounting Standards Boards ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venture (herein called "Transitioning Entities").

On 7 August 2013, the MASB issued another announcement that Transitioning Entities would only be required to adopt the MFRS framework for the annual periods beginning on or after 1 January 2015. Subsequently, on 2 September 2014, MASB has further announced that Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2017.

On 28 October 2015, the MASB issued another announcement that the Transitioning Entities would only be required to adopt the MFRS Framework for the annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework.

The Group is in the process of making its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these unaudited interim financial statements for the period ended 30 June 2017 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 31 December 2018.

A3 Audit report of preceding annual financial statements

The audited consolidated financial statements for the financial year ended 31 December 2016 were not subject to any audit qualification.

A4 Seasonal or cyclical factors

The Group's operations are not affected by seasonal or cyclical factors.

A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

Other than those stated in the notes, there were no other items affecting the assets, liabilities, equity, net income or cash flows of the Group that were unusual because of their nature, size or incidence during the current quarter.

A6 Material changes in estimates

There was no material change in estimates of amounts reported in prior interim period that have a material effect in the period under review.

A7 Debt and equity securities

There was no issuance, cancellation, repurchase, resale and repayment of debt securities during the current quarter.

A8 Dividend paid

There was no dividend paid during the current quarter.

A9 Segmental Information

	3 months ended		6 months ended	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Segment Revenue				
Manufacturing	39,532	-	79,128	-
Trading	24,758	20,961	49,945	36,036
Licensing	8,309	2,674	17,130	2,674
Investment holding and property investment	16,273	3,899	20,501	6,420
Hospitality	-	-	-	1,619
Total revenue including inter-segment sales	88,872	27,534	166,704	46,749
Eliminations	(12,924)	(627)	(14,000)	(652)
Total	75,948	26,907	152,704	46,097
Segment Results				
Manufacturing	2,257	-	6,303	-
Trading	2,155	2,028	4,320	3,390
Licensing	296	1,276	812	1,276
Investment holding and property investment	3,462	(3,847)	(3,648)	82,107
Hospitality	-	-	-	(413)
Infrastructure and utilities *	41,263	35,449	61,920	64,854
Oil and gas *	1,850	3,095	5,345	7,193
Telecommunication *	(678)	(569)	(1,166)	(1,254)
Total profit	50,603	37,432	74,988	157,153
Eliminations	(12,988)	(377)	(14,128)	(685)
Profit before tax	37,615	37,055	59,958	156,468

* Share of profit of associates

A10 Valuation of property, plant and equipment

Property, plant and equipment, other than freehold land are stated at cost less accumulated depreciation and any impairment losses. Freehold land is stated at cost less any impairment losses and is not depreciated. The Group has not carried out any valuation of its property, plant and equipment during the current quarter.

A11 Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the reporting period which is likely to substantially affect the results of the operations of the Group.

A12 Changes in the composition of the Group

There were no other changes in the composition of the Group for the current quarter including business combination, acquisition or disposal of subsidiaries and long term investments and restructuring other than subscription of additional 1,715,000 new ordinary shares in KPS-HCM Sdn Bhd ("KPS-HCM").

On 21 June 2017, the Company had entered into a Subscription Agreement with HCM Engineering Sdn Bhd and KPS-HCM for the subscription of additional 1,715,000 new ordinary shares in its 30% associated company, KPS-HCM for a total cash consideration of RM1,715,000.

The Subscription Agreement was completed on 22 June 2017. Following the completion of the Subscription Agreement, KPS-HCM has become a 51% owned subsidiary of the Company.

A13 Capital Commitments

The amount of commitments not provided for in the unaudited interim financial statements as at 30 June 2017 is as follows:

	RM'000
Property, plant and equipment:	
(i) Approved but not contracted for	25,862
(ii) Approved and contracted for	693

A14 Significant Related Party Transactions

The following are the related party transactions of the Group:

	3 month ended		6 months ended	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Sale of goods to a subsidiary company of non-controlling interest:				
- Sungai Harmoni Sdn Bhd	4,284	3,628	8,793	7,559
- Taliworks (Langkawi) Sdn Bhd	484	356	898	643
Sale of goods to related companies:				
- Konsortium Abass Sdn Bhd	2,458	2,676	4,727	4,961
- PNSB Water Sdn Bhd	9,257	6,194	19,115	6,194
- Konsortium Air Selangor Sdn Bhd	293	375	589	694
Management fee received from immediate holding company	-	23	-	45
Management fees received from related company:				
- Konsortium Air Selangor Sdn Bhd	-	6	-	15
Rental income received from immediate holding company	-	20	13	40
Rental income received from related companies:				
- Konsortium Abass Sdn Bhd	-	69	46	138
- Konsortium Air Selangor Sdn Bhd	-	20	-	39
- Hebat Abadi Sdn Bhd	-	20	11	37

A15 Contingent liabilities and contingent assets

The contingent liabilities as at 30 June 2017 are as follows:

	RM'000
i) **Secured:**	
a) Provision of corporate guarantee for an associate:	
i) For financing/refinancing of the credit facilities for the purchase consideration of business and identifiable assets	26,679
ii) Working capital and issuance of bank guarantees	28,000
Sub-total	54,679

		RM'000
ii)	**Unsecured**	
	a) Performance guarantees to third parties	677

There were no contingent assets as at the reporting date.

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B1 Performance review

a) Current quarter against previous year corresponding quarter

Group revenue increased significantly to RM75.9 million compared with RM26.9 million for the corresponding quarter 2016, representing an increase in revenue by 182% or RM49.0 million. This was largely attributable to revenue from the manufacturing business of Century Bond Bhd ("CBB") of RM39.5 million which was acquired in November 2016. The revenue from trading business of Aqua Flo Sdn Bhd (''Aqua Flo") increased to RM3.8 million as well as higher revenue from the licensing business, Kaiserkorp Corporation Sdn Bhd ("Kaiserkorp") of RM5.6 million due to 3 months consolidation as compared to 1 month for the corresponding quarter 2016.

Share of profit of associates increased by RM4.4 million as compared to corresponding quarter 2016 mainly due to higher contributions from SPLASH. For the current quarter ended 30 June 2017, the Group registered a profit before tax of RM37.6 million as compared to a profit before tax of RM37.1 million for the corresponding quarter 2016.

Performance of the respective operating business segments for the second quarter ended 30 June 2017 as compared to the preceding year corresponding quarter is analysed as follows:

1. Manufacturing

   Arising from acquisition of CBB in November 2016, the Group has consolidated the results of CBB with revenue and profit contributions of RM39.5 million and RM2.3 million respectively. 66% or RM26.1 million of the sector's revenue was from paper packaging and the remaining was from plastic packaging and others.

2. Trading

   Revenue of RM24.7 million was 18% or RM3.8 million higher than the corresponding quarter's revenue of RM20.9 million. The increase in revenue was attributed to supply of chemicals to PNSB Water Sdn Bhd, a new contract which Aqua Flo secured in May 2016.

   Correspondingly, on current quarter against corresponding quarter 2016 comparison, profit before tax for the current quarter was slightly higher at RM2.2 million as compared to corresponding quarter 2016 of RM2.0 million.

3. Licensing

   The licensing sector posted RM8.3 million revenue to the Group during the current quarter as compared to RM2.7 million in the corresponding quarter 2016 which comprises royalties of RM6.2 million and corporate sales and others RM2.1 million. For the current quarter, this sector posted a profit before tax of RM0.3 million as compared to profit before tax of RM1.3 million in the corresponding quarter 2016. The lower profit mainly due to lower corporate sales coupled with higher distribution and marketing costs and administrative expenses.

4. Infrastructure and utilities

   Infrastructure and utilities sector recorded a profit of RM41.3 million as compared to the corresponding quarter 2016 profit of RM35.4 million, higher by RM5.9 million. The higher share of profits recorded in the current quarter is mainly due to higher share of profit from Syarikat Pengeluar Air Selangor Holdings Berhad ("SPLASH Holding"), a 30% associated company by RM6.3 million due to lower impairment loss on trade receivables and accounting impact of IC 12. SPRINT posted share of loss of RM0.3 million as compared to profit of RM0.1 million for the corresponding quarter 2016 due to higher finance expenses and amortisation of highway development expenditure.

5. Oil and gas

   NGC Energy Sdn Bhd ("NGC Energy") registered a profit after tax of RM4.6 million as compared to a profit of RM7.7 million in the corresponding quarter of 2016. Lower profit recorded during the current quarter due to higher direct cost of sales resulting in lower gross profit margin coupled with higher distribution and administrative expenses. Thus, the Group's share of profit was RM1.8 million as compared to share of profit of RM3.1 million in the corresponding quarter 2016.

6. Telecommunication

   The Group's share of loss from Ceres Telecom Sdn Bhd ("Ceres") for the current quarter was RM0.7 million as compared to a share of loss of RM0.6 million for the corresponding quarter 2016 due to higher administrative and marketing expenses.

7. Investment holding and property investment

   Investment holding and property investment recorded revenue of RM16.3 million as compared to RM3.9 million in the corresponding quarter 2016 due to higher dividend received. This sector recorded a profit before tax of RM3.5 million as compared to a loss of RM3.8 million in the corresponding quarter 2016.

b) Current year to-date against previous year to-date

For the six months ended 30 June 2017, the Group registered revenue of RM152.7 million as compared to RM46.1 million in the corresponding period 2016, representing an increase in revenue by RM106.6 million or 231%. The significant increase was mainly due to higher revenue from trading sector by RM13.9 million coupled with revenue from newly acquired subsidiaries in 2016 in licensing sector of RM14.4 million and manufacturing sector of RM79.1 million.

The Group's profit before tax for the current period of RM59.9 million was 62% lower or RM96.6 million than the corresponding period 2016 of RM156.5 million mainly due to realised gain from assets held for disposal of RM97.5 million recorded in 2016.
Performance of the respective operating business segments for the six months ended 30 June 2017 as compared to the preceding year corresponding period is analysed as follows:

1. Manufacturing

   The manufacturing sector contributed a revenue and profit before tax of RM79.1 million and RM6.3 million respectively arising from the consolidation of six months' results of the newly acquired subsidiary namely CBB in November 2016.

2. Trading

Trading sector posted a profit before tax of RM4.3 million on the back of total revenue of RM49.9 million. The current period revenue was higher by 37% or RM13.9 million due to higher revenue from sale of chemicals arising from the new contracts secured in May 2016 and correspondingly profit before tax increased by RM0.9 million from RM3.4 million to RM4.3 million.

3. Licensing

The licensing sector recorded revenue of RM17.1 million as compared to corresponding period 2016 of one month of RM2.7 million arising from the newly acquired subsidiary namely Kaiserkorp in May 2016. Profit before tax was RM0.8 million as compared to corresponding period 2016 of RM1.3 million due to lower corporate sales coupled with high distribution and marketing and administrative expenses.

4. Infrastructure and utilities

Profit from the infrastructure and utilities sector for the current period of RM61.9 million was 4% lower than corresponding period's profit of RM64.8 million mainly due to lower share of profits contributed by the associated companies.

5. Oil and gas

For the current period, NGC Energy registered profit after tax of RM13.4 million which translated into the Group's share of profit of RM5.3 million as compared to share of profit of RM7.2 million for the corresponding quarter 2016. The lower profit recorded by NGC Energy was mainly due to higher cost of sales resulting in a lower profit gross margin.

6. Telecommunication

The Group's share of losses for the current period in Ceres was RM1.2 million, lower by RM0.1 million as compared to a loss of RM1.3 million for the corresponding period 2016.

7. Investment holding and property management

The investment holding sector recorded higher revenue of RM20.5 million as compared to RM6.4 million in the corresponding period 2015 due to dividend income. This sector recorded a loss before tax of RM3.6 million as compared to a profit before tax of RM82.1 million the corresponding period 2016 mainly due to realised gain from assets held for disposal of RM97.5 million recorded in 2016.

B2 Comment on material change in profit/(loss) before tax

The Group recorded a profit before tax of RM37.6 million for the current quarter ended 30 June 2017 as compared to a profit before tax of RM22.3 million in the previous quarter ended 30 March 2017. The improved results for the current quarter was mainly due to share of profit of associates of RM42.4 million as compared to RM23.7 million for the previous quarter.

B3 Commentary on prospects

1. Manufacturing

CBB's primary focus would be on growing its cement packaging business in the domestic and international markets. To propel growth in the Malaysian market, CBB plans to enter new segments by developing new products such as paper packaging for minerals and other construction materials.

Regionally, CBB plans to tap into the opportunity of the increasing infrastructure spending and capital projects in South East Asia, which present tremendous growth opportunities.

2. Trading

Aqua Flo had been awarded three (3) new contracts in May 2016 from PNSB Water Sdn Bhd, Konsortium ABASS Sdn Bhd and Konsortium Air Selangor Sdn. Bhd, respectively, with a cumulative total value of RM98.0 million over a period of two years of which RM30.0 million had been delivered in financial year 2016.

In addition to delivering on these contracts, Aqua Flo would continue bidding for new contracts for supply of water treatment chemicals and equipment. At the same time, Aqua Flo would endeavour to undertake strategic initiatives to enhance future profitability by enhancing operational efficiency and venturing into other water-related businesses.

3. Licensing

King Koil Licensing Company Inc ("KKLC") future growth is expected from the expansion of direct distribution to retailers and consumers in the USA. Wholesale revenue in the US alone exceeded USD8 billion in 2015, with future growth contributed by increase in both sales volume and average price per unit. KKLC will focus on increasing King Koil®'s share of the market by adding more brick-and-mortar retailers to its distribution network and via various online channels starting with the collaboration with the International Chiropractors' Association (ICA) via www.icaspinecare.com. In addition, KKLC will continue to expand King Koil's global presence by adding more reputable manufacturers as our licensees in new markets, starting with the addition of Camas Lamas as the licensee in Mexico.

4. Infrastructure and utilities

The outlook for the water services sector is expected to be positive with opportunities arising from the State Government's consolidation exercise to provide a holistic water services in Selangor, Kuala Lumpur and Putrajaya. In the light of this opportunity, the Group through its wholly owned subsidiary Nadi Biru Sdn Bhd ("Nadi Biru"), has ventured into the water pipe rehabilitation business through 51% holding in Smartpipe Technology Sdn Bhd ("SPT"). SPT had obtained the product certification and C1 license from Suruhanjaya Perkhidmatan Air Negara and registered as G7 contractor with Construction Industry Development Board which enables SPT to undertake water and sewerage projects for both conventional and compact pipe technology.

SPT is constantly engaging with various parties and state water agencies to promote the compact pipe technology where it has proven to be a success in several countries including Hong Kong. The Group plans to replicate this success locally.

With the imminent takeover of the Group's 30% equity interest in Syarikat Pengeluar Air Selangor Sdn Bhd ("SPLASH") held through Viable Chip (M) Sdn Bhd, a wholly owned subsidiary of the Company, the Group is continuously assessing business opportunities in sectors where it already has existing investments as well as new business sectors or areas to ensure sustainability of the Group.

5. Oil and gas

The Group remains confident in the long-term prospects of the oil and gas sector as the Group expects an increase in demand for liquefied petroleum gas (LPG) in the commercial sector while demand from domestic sectors shall remain strong over the next few years.

6. Telecommunication

   Ceres, a 34.35% associated company, is currently pursuing several initiatives to streamline its business and improve its financial performance; refocusing of its market segment, introducing new products, extending its network of distributors. Efforts are continuously being pursued in order to ensure that Ceres contributes positively to the results of the Group in the future.

B4 Profit forecast and profit guarantee

No profit forecast or profit guarantee was issued or received during the current quarter.

B5 Other operating income/(expenses)

Included in other operating income/(expenses) are the following credits/(charges):

	3 months ended		6 months ended	
	30.06.2017	**30.06.2016**	**30.06.2017**	**30.06.2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit from Islamic short term placement	77	72	93	79
Interest income - fixed deposit	362	157	624	267
Gain realised on assets held for disposal	-	-	-	97,470
(Loss)/Gain on foreign exchange	(1,413)	10	(1,311)	12
Finance costs	(4,051)	(406)	(7,801)	(544)
Depreciation of property, plant and equipment	(881)	(807)	(1,925)	(1,629)
Depreciation of investment properties	(1,051)	(777)	(2,102)	(1,553)
Amortisation of intangible assets	(402)	-	(652)	-
Bad debts written off	-	-	(69)	-
Impairment of goodwill on consolidation	-	-	-	(2,020)

Other items not applicable to the Group are write off of inventories and gain or loss on derivatives.

B6 Income tax and zakat expense

	3 months ended		6 months ended	
	30.06.2017	**30.06.2016**	**30.06.2017**	**30.06.2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax expense	2.143	494	3,778	2,748
Deferred tax transfer to balance sheet	(190)	-	(681)	-
Income tax expense	1,953	494	3,097	2,748
Zakat expense	71	591	71	599
Income tax and zakat expense	2,024	1,085	3,168	3,347

The effective tax rate for the current quarter was lower than the statutory tax rate mainly due to share of profits from associates is presented net of tax.

B7 Status of corporate proposals

There are no other corporate proposals announced but not completed as at the date of this report.

B8 Borrowings

The Group borrowings as at 30 June 2017 are as follows:

	As at 2nd Quarter 2017	
	Foreign Denomination USD'000	RM Denomination RM'000
Short term borrowings - secured		
Revolving credits	-	129,000
Obligation under finance leases	-	21
Term loan	31	134
Sub total	**31**	**129,155**
Long term borrowings – secured		
Obligation under finance leases	-	46
Term loan	19	81
Syndicated term loan	-	168,259
Sub total	**19**	**168,386**
Total borrowings - secured		
Revolving credits	-	129,000
Obligation under finance leases	-	67
Term loan	50	215
Syndicated term loan	-	168,259
Total	**50**	**297,541**

	As at 2nd Quarter 2016	
	Foreign Denomination USD'000	RM Denomination RM'000
Short term borrowings - secured		
Revolving credits	-	56,000
Obligation under finance leases	-	21
Term loan	80	322
Sub total	**80**	**56,343**
Long term borrowings – secured		
Obligation under finance leases	-	88
Term loan	-	-
Syndicated term loan	-	-
Sub total	**-**	**88**
Total borrowings - secured		
Revolving credits	-	56,000
Obligation under finance leases	-	109
Term loan	80	322
Syndicated term loan	-	-
Total	**80**	**56,431**

i) Syndicated term loan

The syndicated term loan of RM168.3 million was utilised for the acquisition of CBB which was completed on 8 November 2016.The tenure of the syndicated term loan is 5 years and will mature on 8 November 2021.

ii) Revolving credits

There is an increase of RM73 million as compared to corresponding period 2016 and the amount is utilised for working capital and investment purposes.

B9 Material litigation

Since the last Audited Financial Statements for the year ended 31 December 2016, the Group is not a party to any material obligation or arbitration, either as plaintiff or defendant.

B10 Dividends

A final single tier dividend of 4.25 sen per ordinary share amounting to RM21,207,685 in respect of the financial year ended 31 December 2016 which was approved by the shareholders at the Annual General Meeting of the Company held on 25 May 2017 was paid on 18 August 2017.

B11 Earnings per share

Basic earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to owners of the parent by the weighted average number of shares in issue.

	3 Months Ended 30.06.2017	**3 Months Ended 30.06.2016**	**6 Months Ended 30.06.2017**	**6 Months Ended 30.06.2016**
Basic earnings per share				
Net profit attributable to owners of the parent (RM'000)	34,671	34,482	54,879	150,907
Weighted average number of shares in issue ('000)	499,004	499,004	499,004	499,004
Basic EPS (sen)	6.9	6.9	11.0	30.2

B12 Realised and unrealised earnings or losses disclosures

The breakdown of retained earnings of the Group as at the reporting date, into realised and unrealised earnings, pursuant to the directive is as follows:

	As at 30.6.2017 RM'000	As at 31.12.2016 RM'000
The (accumulated losses)/retained earnings of the Company and its subsidiaries:		
- Realised	(22,112)	8,588
- Unrealised	(4,154)	(3,473)
Add:		
Total share of retained earnings from associates		
- Realised	838,844	773,794
Retained earnings as per financial statements	812,578	778,909

BY ORDER OF THE BOARD

HASHIMAH BINTI HAJI MOHD ISA
SELFIA BINTI MUHAMMAD EFFENDI
Joint Company Secretaries

Date: 29 August 2017