

MTD ACPI ENGINEERING BERHAD (Company No: 258836-V)
(Incorporated in Malaysia)

Quarterly report on consolidated results for the quarter ended 31 December 2016
The figures have not been audited

The Directors are pleased to announce the following:

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Individual quarter ended		Cumulative quarter ended	
		31/12/16 RM'000	31/12/15 RM'000	31/12/16 RM'000	31/12/15 RM'000
Revenue	8	91,912	95,993	220,379	202,310
Cost of sales		<u>(87,528)</u>	<u>(84,645)</u>	<u>(210,517)</u>	<u>(185,128)</u>
Gross profit		4,384	11,348	9,862	17,182
Other items of income					
Other income		8,400	2,248	22,952	9,944
Other items of expense					
Selling and marketing expenses		(1,362)	(2,156)	(4,943)	(5,883)
Administrative and other expenses		(7,407)	(8,181)	(20,341)	(20,818)
Finance costs		(1,609)	(1,995)	(5,364)	(3,940)
Share of results of associates		216	(673)	1,117	(1,860)
Share of results of joint ventures		-	(152)	-	317
Profit/(loss) before tax		<u>2,622</u>	<u>439</u>	<u>3,283</u>	<u>(5,058)</u>
Income tax expense	18	<u>(2,513)</u>	<u>87</u>	<u>(3,063)</u>	<u>(110)</u>
Profit/(loss) net of tax		<u>109</u>	<u>526</u>	<u>220</u>	<u>(5,168)</u>
Other comprehensive (loss)/ income for the period					
Foreign currency translation		(3,069)	(829)	(10,558)	1,010
Revaluation surplus		-	-	-	47,190
Actuarial gain on retirement benefit obligation		13	-	13	-
Total comprehensive (loss)/income for the period, net of tax		<u>(2,947)</u>	<u>(303)</u>	<u>(10,325)</u>	<u>43,032</u>
Profit/(loss) attributable to:					
Owners of the parent		(217)	287	(1,771)	(5,158)
Non-controlling interest		<u>326</u>	<u>239</u>	<u>1,991</u>	<u>(10)</u>
		<u>109</u>	<u>526</u>	<u>220</u>	<u>(5,168)</u>
Total comprehensive (loss)/income attributable to :					
Owners of the parent		(4,162)	(136)	(13,435)	41,509
Non-controlling interest		<u>1,215</u>	<u>(167)</u>	<u>3,110</u>	<u>1,523</u>
		<u>(2,947)</u>	<u>(303)</u>	<u>(10,325)</u>	<u>43,032</u>
(Loss)/earnings per share attributable to owners of the parent (sen)					
Basic	24	<u>(0.09)</u>	<u>0.12</u>	<u>(0.77)</u>	<u>(2.23)</u>

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 March 2016.

MTD ACPI ENGINEERING BERHAD (Company No: 258836-V)
(Incorporated in Malaysia)

Quarterly report on consolidated results for the quarter ended 31 December 2016
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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31/12/2016 RM'000	As at 31/3/2016 RM'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	9	130,645	135,021
Investments in associates		23,279	22,162
Investments in joint ventures		4,466	5,096
Other investments		190	190
Trade receivables		27,386	20,516
Deferred tax assets		2,284	962
		188,250	183,947
Current assets			
Inventories		23,586	19,284
Other investments		89	89
Trade and other receivables		229,990	190,092
Current tax assets		3,556	2,612
Cash and bank balances		31,277	77,633
		288,498	289,710
Non-current asset held for sale		1,785	-
		290,283	289,710
Total Assets		478,533	473,657
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables		302,874	279,884
Provisions		1,844	3,337
Borrowings	21	61,415	58,205
Current tax liabilities		0	261
		366,133	341,687
Net current liabilities		(75,850)	(51,977)

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTD.)

	Note	As at 31/12/2016 RM'000	As at 31/3/2016 RM'000 Audited
Non- current liabilities			
Trade payables		4,202	13,177
Provisions		7,360	7,723
Borrowings	21	2,173	2,080
Deferred tax liabilities		2,484	2,484
		16,219	25,464
Total Liabilities		382,352	367,151
Net Assets		96,181	106,506
Equity attributable to owners of the parent			
Share capital		231,633	231,633
Treasury shares		(1,905)	(1,905)
Reserves		182,652	194,329
Accumulated losses		(334,419)	(332,661)
		77,961	91,396
Non-controlling interests		18,220	15,110
Total equity		96,181	106,506
Total equity and liabilities		478,533	473,657
Net Assets Per Share Attributable to Ordinary Holders of the Parent (RM)		0.42	0.46

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 March 2016.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent								Non-controlling Interests	Total Equity	
	Non-Distributable					Distributable					
	Share Capital	Share Premium	Capital Redemption Reserve	Revaluation Reserve	Exchange Translation Reserve	Other Reserves	Treasury Shares	Accumulated Losses	Total		
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2016	231,633	108,138	90	47,190	9,639	29,272	(1,905)	(332,661)	91,396	15,110	106,506
Total comprehensive income/(loss)											
Net income for the period	-	-	-	-	-	-	-	(1,771)	(1,771)	1,991	220
Other comprehensive loss	-	-	-	-	(11,677)	-	-	13	(11,664)	1,119	(10,545)
Total comprehensive (loss)/profit for the period	-	-	-	-	(11,677)	-	-	(1,758)	(13,435)	3,110	(10,325)
At 31 December 2016	231,633	108,138	90	47,190	(2,038)	29,272	(1,905)	(334,419)	77,961	18,220	96,181

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTD.)

	Attributable to owners of the parent								Non-controlling Interests	Total Equity	
	Non-Distributable					Distributable					
	Share Capital	Share Premium	Redemption Reserve	Revaluation Reserve	Foreign Currency Translation Reserve	Other Reserves	Treasury Shares	Accumulated Losses	Total		
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2015	231,633	108,138	90	-	10,139	29,272	(1,905)	(330,294)	47,073	14,565	61,638
Total comprehensive income/(loss)											
Net loss for the period	-	-	-	-	-	-	-	(5,158)	(5,158)	(10)	(5,168)
Other comprehensive income	-	-	-	47,190	(523)	-	-	-	46,667	1,533	48,200
Total comprehensive income/(loss) for the period	-	-	-	47,190	(523)	-	-	(5,158)	41,509	1,523	43,032
At 31 December 2015	231,633	108,138	90	47,190	9,616	29,272	(1,905)	(335,452)	88,582	16,088	104,670

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 March 2016.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	9 months to 31/12/2016 RM'000	9 months to 31/12/2015 RM'000
Operating activities		
Profit/(loss) before tax	3,283	(5,058)
<u>Adjustments for:</u>		
Interest income	(81)	(91)
Net impairment on financial assets	(2,819)	(8,256)
Bad debts written off	515	5,875
Reversal of overprovision on payables	0	(4,213)
Depreciation of property, plant and equipment	5,896	5,757
Gain on disposal of property, plant and equipment	(63)	(121)
Property, plant and equipment written off	71	108
Provisions	0	(595)
Interest expense	5,364	3,940
Net changes in liabilities for retirement benefit obligations	601	710
Reversal of provision for slow moving stocks	(3,541)	0
Inventories written off	3,789	0
Unrealised foreign exchange gain, net	(15,028)	0
Share of results of associates	(1,117)	1,860
Share of results of joint ventures	0	(317)
Total adjustments	<u>(6,413)</u>	<u>4,657</u>
Operating cash flows before changes in working capital	(3,130)	(401)
Changes in working capital		
Net change in current assets	(49,013)	(14,015)
Net change in current liabilities	15,655	334
Total changes in working capital	<u>(33,358)</u>	<u>(13,681)</u>
Cash flows used in from operations	(36,488)	(14,082)
Retirement benefit paid	(938)	(764)
Net tax paid	(4,267)	(2,732)
Net cash flows used in operating activities	(41,693)	(17,578)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTD.)

	9 months to 31/12/2016 RM'000	9 months to 31/12/2015 RM'000
Investing activities		
Interest received	81	91
Purchase of property, plant and equipment	(3,414)	(1,760)
Proceeds from disposal of property, plant and equipment	101	355
Uplift of deposits pledged to licensed banks	4,697	5,180
Dividend received from joint venture	0	3,751
Net cash flows generated from investing activities	1,465	7,617
Financing activities		
Interest paid	(5,364)	(3,940)
Net proceeds from borrowings	814	1,392
Net cash flows used in from financing activities	(4,550)	(2,548)
Net decrease in cash and cash equivalents	(44,778)	(12,509)
Effects of exchange rate changes on cash and cash equivalents	629	(699)
Cash and cash equivalent at beginning of year	65,287	38,363
Cash and cash equivalents at end of financial period	21,138	25,155

Cash and cash equivalent at the end of the financial period comprised the following:

	9 months to 31/12/2016 RM'000	9 months to 31/12/2015 RM'000
Deposits placed with licensed banks	1,757	6,547
Cash and bank balances	29,520	32,730
Total cash and bank balances	31,277	39,277
Bank overdrafts	(8,382)	(7,575)
Deposits pledged to licensed banks	(1,757)	(6,547)
Cash and cash equivalents at end of financial period	21,138	25,155

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 March 2016.

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of Preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad Main Market Listing Requirement. These condensed consolidated interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board (IASB).

These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2016. The explanatory notes are attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2016.

2. Qualification of Financial Statement

The auditors' report on the financial statements for the financial year ended 31 March 2016 was not qualified.

3. Seasonal or Cyclical Factors

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the current financial quarter ended 31 December 2016.

5. Changes In Estimates

There were no material changes in estimates of amounts reported in the current financial quarter.

6. Debt and Equity Securities

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellation, shares held as treasury shares, repurchase and resale of treasury shares for the current financial quarter under review.

(a) Treasury Shares

During the financial quarter, the Company did not repurchase any of its issued ordinary shares from the open market.

7. Dividend Paid

There was no dividend paid or declared for the current financial quarter.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTD.)

8. Segmental Reporting

By Activities

Cumulative Quarter
31 December 2016

	Construction	Manufacturing	Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment Revenue					
Revenue from external customers	167,421	52,958	-	-	220,379
Inter-segment revenue	2,321	168	5,916	(8,405)	-
Total revenue	169,742	53,126	5,916	(8,405)	220,379
Segment results	(5,300)	(59,073)	(134,253)	183,204	(15,422)
Other income					22,952
Finance costs					(5,364)
Share of results of associates					1,117
Share of results of joint ventures					-
Income tax expense					(3,063)
Profit for the financial period					220

Cumulative Quarter
31 December 2015

	Construction	Manufacturing	Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment Revenue					
Revenue from external customers	128,105	74,205	-	-	202,310
Inter-segment revenue	6,380	5,016	5,683	(17,079)	-
Total revenue	134,485	79,221	5,683	(17,079)	202,310
Segment results	(7,320)	986	(3,357)	172	(9,519)
Other income					9,944
Finance costs					(3,940)
Share of results of associates					(1,860)
Share of results of joint ventures					317
Income tax expense					(110)
Loss for the financial period					(5,168)

NOTES TO THE INTERIM FINANCIAL REPORT (CONTD.)

9. Valuation of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward without amendment from the annual financial statements for the year ended 31 March 2016.

10. Material Subsequent Events

There were no material subsequent events since the end of the current quarter until a date not earlier than 7 days from the date of issuance of this quarterly report except for the following:

1. On 26 January 2017, the Company announced that MTD ACPI, MTD ACPI Interco Group (as defined herein), MTD Capital and Saujanika Group had entered into the following agreements:

- (i) supplemental share sale agreement between MTD ACPI and MTD Capital (“**Supplemental SSA**”) to vary the following:
 - sale consideration from RM9,059,056 to RM14,816,559 (“**Revised Sale Consideration**”); and
 - the manner of payment which entails MTD ACPI paying the Net Non-Trade Intercompany Debt (as defined herein) to Saujanika through MTD Capital by setting-off the Revised Sale Consideration against the Net Non-Trade Intercompany Debt.

This is in contrast with the SSA, where the Sale Consideration was to be set-off against a portion of the Amount Owing to MTD Capital.

- (ii) debt restructuring agreement between the following parties (“**Debt Restructuring Agreement**”):
 - (a) MTD ACPI;
 - (b) Persys Engineering Sdn Bhd (“**PESB**”);
 - (c) Associated Concrete Products (Malaysia) Sdn Bhd (“**ACPM**”);
 - (d) ASC Tiles Sdn Bhd (“**ASC Tiles**”);
 - (e) Makin Permata Sdn Bhd (“**Makin Permata**”);
 - (f) ACP Marketing Sdn Bhd (“**ACP Marketing**”);
 - (g) MTD Construction Sdn Bhd (“**MTD Construction**”); and
 - (h) Saujanika Group.

((b) to (g) shall collectively be referred to as “**MTD ACPI Interco Group**”)

The Debt Restructuring Agreement essentially involves the reorganisation of the non-trade intercompany debts of Saujanika Group and MTD ACPI Interco Group as at 30 September 2016 (“**Intercompany Debts**”). The debt reorganisation will result in a net non-trade intercompany debt owing by MTD ACPI to Saujanika of RM14.82 million (“**Net Non-Trade Intercompany Debt**”).

Please refer to **Section 2.2.1(i)** and **(ii)** below for further details on the Intercompany Debts and **Section 2.2.3** for further details on the Net Non-Trade Intercompany Debt.

Further details of the Supplemental SSA and Debt Restructuring Agreement (collectively referred to as “**Supplemental Agreements**”) are set out in **Section 2** of this announcement.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTD.)

10. Material Subsequent Events (contd.)

2. Details of the Supplemental Agreements

2.1 Salient terms of the Supplemental SSA

The variations and amendments pursuant to the Supplemental SSA are as follows:

<u>No.</u>	<u>Salient terms of the SSA</u>	<u>Salient terms of the SSA as replaced and varied by the Supplemental SSA</u>
(i) Terms of payment	<p>The consideration for the Sale Shares will be the sum equivalent to the unaudited combined NA of the Saujanika Group as at 30 September 2016 which is adjusted for the market value of the ACP-DMT Property stated in the Valuation Report. MTD Capital will pay MTD ACPI the Sale Consideration on the Completion Date by setting off the Sale Consideration against a portion of the Amount Owing to MTD Capital equivalent to the Sale Consideration.</p> <p>MTD ACPI will furnish and deliver to MTD Capital the Valuation Report and the Management Accounts. A limited review on the Management Accounts shall be carried out by an independent auditor appointed by the Company within 3 months from the date of the SSA and the Company and MTD Capital agree that the Management Accounts will be final.</p>	<p>The consideration for the Sale Shares is RM14,816,559. MTD ACPI acknowledges that as at 30 September 2016, MTD ACPI owes Saujanika RM14,816,559. On Completion Date, MTD Capital will pay to Saujanika the Revised Sale Consideration as payment on behalf of MTD ACPI.</p>
(ii) Completion	<p>On completion of the SSA, MTD Capital will set off the Sale Consideration against a portion of the Amount Owing to MTD Capital and will issue a confirmation to the Company stating that said portion of the Amount Owing to MTD Capital, as represented by the Sale Consideration, has been discharged and satisfied in full.</p>	<p>On completion of the SSA, MTD Capital will pay the Revised Sale Consideration to Saujanika on behalf of MTD ACPI as full and final settlement of the amount owing by MTD ACPI to Saujanika and MTD Capital will procure Saujanika to issue a confirmation to MTD ACPI stating that the amount owing by MTD ACPI to Saujanika has been fully settled and extinguished.</p>

Save for the variations and amendments set out in the Supplemental SSA, all other terms and conditions of the SSA shall remain unchanged, and the terms and conditions of the Supplemental SSA shall be deemed incorporated into the SSA.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTD.)

10. Material Subsequent Events (contd.)

2.2 Debt Restructuring Agreement

2.2.1 Background information on the Intercompany Debts

(i) MTD ACPI and MTD ACPI Interco Group non-trade debt position

The non-trade debts owing by MTD ACPI and MTD ACPI Interco Group to Saujanika Group as at 30 September 2016 are as follows:

<u>Company</u>	<u>Non-trade debts owing to Saujanika Group</u>				<u>(1) Total</u>
	<u>ACP- DMT</u>	<u>Persys</u>	<u>ASCE</u>	<u>MAP</u>	
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
1. MTD ACPI	2,678,218	-	-	1,072,665	3,750,883
MTD ACPI Interco Group					
2. PESB	-	709,883	-	-	709,883
3. ACPM	-	15,468,463	-	454,599	15,923,062
4. ASC Tiles	-	611	-	-	611
5. Makin Permata	-	-	-	20,000	20,000
6. ACP Marketing	-	-	-	242,180	242,180
Amount Owing to Saujanika Group					16,895,736
Total non-trade debts owing to Saujanika Group					20,646,619

Note:

(1) Based on MTD ACPI's unaudited consolidated statement of financial position as at 30 September 2016.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTD.)

10. Material Subsequent Events (contd.)

2.2 Debt Restructuring Agreement (contd.)

2.2.1 Background information on the Intercompany Debts (contd.)

(ii) Saujanika Group non-trade debt position

The non-trade debts owing by Saujanika Group to MTD ACPI and MTD ACPI Interco Group as at 30 September 2016 are as follows:

Non-trade debts owing by Saujanika Group					
<u>Company</u>	<u>ACP- DMT</u>	<u>Persys</u>	<u>ASCE</u>	<u>MAP</u>	<u>⁽¹⁾ Total</u>
	RM	RM	RM	RM	RM
1. MTD ACPI	-	403,426	377,702	-	781,128
MTD ACPI Interco Group					
2. MTD Construction	384	973,727	-	4,709	978,820
3. PESB	-	1,101,029	-	-	1,101,029
4. ACPM	-	-	-	1,219,116	1,219,116
5. Makin Permata	871,150	873,497	5,320	-	1,749,967
Total non-trade debts owing to MTD ACPI and MTD ACPI Interco Group					<u>5,830,060</u>

Note:

(1) Based on MTD ACPI's unaudited consolidated statement of financial position as at 30 September 2016.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTD.)

10. Material Subsequent Events (contd.)

2.2 Debt Restructuring Agreement (contd.)

2.2.2 Salient terms of the Debt Restructuring Agreement

The salient terms of the Debt Restructuring Agreement entered into in respect of the reorganisation of the Intercompany Debts are as follows:

2.2.2.1 MTD ACPI debt reorganisation

<u>Novation to MTD ACPI</u>	<u>Corresponding assignments of receivables to Saujanika</u>
(a) (i) MTD ACPI Interco Group to novate the Amount Owing to Saujanika Group of RM16.90 million as at 30 September 2016 to MTD ACPI as set out in Section 2.2.1(i).	(aa) (i) Saujanika Group will assign their respective amounts due from MTD ACPI and the relevant borrowers in MTD ACPI Interco Group to Saujanika as set out in Section 2.2.1(i).
(ii) The respective amounts owing to Saujanika Group by MTD ACPI Interco Group shall be deemed to be owing by MTD ACPI instead.	(ii) Arising from this assignment, the amounts owing to Saujanika Group, shall be deemed to be owing to Saujanika.
(iii) MTD ACPI Interco Group shall be deemed to owe MTD ACPI a total of RM16.90 million.	(iii) Saujanika shall be deemed to owe Saujanika Group their respective amounts due from the relevant borrowers in MTD ACPI and MTD ACPI Interco Group.
(iv) The respective lenders of the Saujanika Group shall have no claim against the respective borrowers in MTD ACPI and MTD ACPI Interco Group.	

NOTES TO THE INTERIM FINANCIAL REPORT (CONTD.)

10. Material Subsequent Events (contd.)

2.2 Debt Restructuring Agreement (contd.)

2.2.2 Salient terms of the Debt Restructuring Agreement (contd.)

2.2.2.2 Saujanika debt reorganisation

<u>Novations to Saujanika</u>	<u>Corresponding assignments of receivables to MTD ACPI</u>
(b) (i) Saujanika Group to novate the Amount Owing to MTD ACPI and MTD ACPI Interco Group of RM5.83 as at 30 September 2016 to Saujanika as set out in Section 2.2.1(ii).	(bb) (i) MTD ACPI Interco Group will assign their respective amounts due from the relevant borrowers in Saujanika Group to MTD ACPI as set out in Section 2.2.1(ii).
(ii) The respective amounts owing to MTD ACPI and MTD ACPI Interco Group by Saujanika Group shall be deemed to be owing by Saujanika instead.	(ii) Arising from this assignment, the amounts owing to the respective MTD ACPI Interco Group shall be deemed to be owing to MTD ACPI.
(iii) Saujanika Group shall be deemed to owe Saujanika a total of RM5.83 million.	(iii) MTD ACPI shall be deemed to owe MTD ACPI Interco Group their respective amounts due from the relevant borrowers in Saujanika Group.
(iv) The respective lenders of MTD ACPI and MTD ACPI Interco Group shall have no claim against the respective borrowers in Saujanika Group.	

NOTES TO THE INTERIM FINANCIAL REPORT (CONTD.)

10. Material Subsequent Events (contd.)

2.2 Debt Restructuring Agreement (contd.)

2.2.3 Net Non-Trade Intercompany Debt

Following the novation in Section 2.2.2.1(a) and 2.2.2.2(b) and the corresponding assignments in Section 2.2.2.1(aa) and 2.2.2.2(bb), Saujanika and MTD ACPI will owe each other the amounts stated below and will be set-off to arrive at the Net Non-Trade Intercompany Debt of RM14.82 million.

<u>No.</u>	<u>Company</u>	<u>Non-trade debts owing to</u>	<u>Total</u>
			RM
1.	MTD ACPI	Saujanika	(20,646,619)
2.	Saujanika	MTD ACPI	5,830,060
		Net Non-Trade Intercompany Debt	<u>(14,816,559)</u>

Following this, the total non-trade debts owing to MTD ACPI and MTD ACPI Interco Group by Saujanika Group of RM5,830,060 is deemed fully settled and extinguished.

2.3 Basis and justification of arriving at the Sale Consideration

The Revised Sale Consideration to be paid by MTD Capital for the Sale Shares was derived on a “willing-buyer willing-seller” basis after taking into consideration the expected cash outflow and interest expenses to be incurred by MTD ACPI and MTD ACPI Interco Group from the realisation of the Net Non-Trade Intercompany Debt following the completion of the Proposed Disposal.

2.4 Use of proceeds

Pursuant to the Supplemental SSA, the Revised Sale Consideration of RM14.82 million will be used to pay the Net Non-Trade Intercompany Debt through MTD Capital.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTD.)

11. Changes in the Composition of the Group

On 15 December 2016, Saujanika Sdn Bhd (“Saujanika”), a direct wholly-owned subsidiary of the Company, had issued 20,318,142 new ordinary shares of RM1.00 each in the share capital of Saujanika to the Company pursuant to the internal restructuring exercise involving the acquisition of the entire issued and paid-up share capital of four (4) subsidiaries of the Company by Saujanika for a total consideration of RM20,318,142. Consequently, the four (4) subsidiaries namely, ACP-DMT Sdn Bhd, Persys Sdn Bhd, MTD ACP Precast Sdn Bhd and ASC Engineering Sdn Bhd have become direct wholly-owned subsidiaries of Saujanika.

12. Changes in Contingent Liabilities and Contingent Assets

There were no significant changes in both contingent liabilities and contingent assets since the financial year ended 31 March 2016.

13. Review of Performance of the Group

CURRENT QUARTER vs. CORRESPONDING QUARTER

	31/12/2016	31/12/2015	Variance	
	RM'000	RM'000	RM'000	%
Segmental Turnover				
Construction	76,441	70,692	5,749	8
Manufacturing	17,301	29,714	(12,413)	(42)
Others	2,012	1,895	117	6
	<u>95,754</u>	<u>102,301</u>		
Inter-segment	(3,842)	(6,308)	2,466	39
	<u>91,912</u>	<u>95,993</u>	(4,081)	(4)
Pre-tax profit/(loss)				
Construction	8,373	613	7,760	>100
Manufacturing	(14,094)	5,061	(19,155)	>(100)
Others	(125,206)	(1,944)	(123,262)	>(100)
	<u>(130,927)</u>	<u>3,730</u>		
Elimination	133,333	(2,466)	135,799	>100
	<u>2,406</u>	<u>1,264</u>		
Share of results of associates	216	(673)	889	>100
Share of results of joint ventures	-	(152)	152	100
	<u>2,622</u>	<u>439</u>	2,183	>100

For the current quarter under review, the Group recorded lower revenue of RM91.9 million and higher pre-tax profit of RM2.6 million, as compared to revenue of RM96.0 million and pre-tax profit of RM0.4 million respectively in the corresponding quarter.

Lower revenue recorded in current quarter was mainly due to lower turnover registered in Manufacturing division. High Group’s pre-tax profit was recorded in current quarter as compared to corresponding quarter mainly due to unrealised gain on forex exchange in Construction division and higher share of associate profit.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTD.)

14. Variation of Results Against Preceding Quarter

CURRENT QUARTER vs. PRECEDING QUARTER

	31/12/2016	30/9/2016	Variance	
	RM'000	RM'000	RM'000	%
Segmental Turnover				
Construction	76,441	51,842	24,599	47
Manufacturing	17,301	17,100	201	1
Others	2,012	1,952	60	3
	<u>95,754</u>	<u>70,894</u>		
Inter-segment	(3,842)	(2,558)	(1,284)	(50)
	<u>91,912</u>	<u>68,336</u>	23,576	35
Pre-tax profit/(loss)				
Construction	8,373	14,597	(6,224)	(43)
Manufacturing	(14,094)	(1,287)	(12,807)	>(100)
Others	(125,206)	99,923	(225,129)	>(100)
	<u>(130,927)</u>	<u>113,233</u>		
Elimination	133,333	(106,400)	239,733	>100
	<u>2,406</u>	<u>6,833</u>		
Share of results of associates	216	1,441	(1,225)	(85)
Share of results of joint ventures	-	-	-	-
	<u>2,622</u>	<u>8,274</u>	(5,652)	(68)

The Group recorded revenue of RM91.9 million in the current quarter as compared to RM68.3 million in the immediate preceding quarter, representing Q.o.Q increase by 35%. The increase was mainly attributable to higher turnover registered at the Construction division.

The Group recorded pre-tax profit of RM2.6 million as compared to a pre-tax profit of RM8.3 million in the immediate preceding quarter. The decrease pre-tax profit in current quarter as compared to preceding quarter was mainly due to lower profit generated from Construction division and lower share of associate profit recorded in the current quarter.

15. Prospects for the remaining period to the end of Financial Year

Going forward, the Group expects the operating environment to be challenging with the balance of its order book of RM973.7 million that need to be replenished. The management would continue to seek for infrastructure projects in Malaysia and abroad to replenish its order book, leveraging on the strength of its parent company, MTD Capital Bhd. The Management of the Group will remain vigilant in monitoring and controlling cost to ensure profitability of existing projects. Barring any unforeseen circumstances, the Group expects a modest recovery ahead.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTD.)

16. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and non-controlling interest and forecast profit after tax and non-controlling interest and for the shortfall in profit guarantee, are not applicable.

17. Profit/(Loss) Before Tax

The following items have been included in arriving at profit/(loss) before tax:

	Individual quarter ended		Cumulative quarter ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
Interest income	(7)	75	(81)	(91)
Other income	(782)	3,209	(1,819)	(4,200)
Interest expense	1,609	1,994	5,364	3,940
Depreciation of property, plant and equipment	1,932	1,894	5,896	5,757
Impairment loss on trade and other receivables	19	1,446	462	2,216
Bad debts written off	119	-	515	5,875
Bad debts written back	(474)	(1,262)	(3,281)	(10,472)
Provision of slow moving stocks	-	-	(3,541)	-
Inventories written off	15	-	3,789	-
(Gain)/Loss on disposal of quoted investment	-	-	-	-
(Gain)/Loss on disposal of unquoted investment	-	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	302	-	(63)	(121)
Net impairment of assets	-	-	-	-
(Gain)/Loss on foreign exchange	(4,978)	(1,024)	(15,028)	(935)

18. Income Tax (Expense)/Benefit

	Individual quarter ended		Cumulative quarter ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
Current period's provision	(2,513)	87	(3,063)	(110)

The effective tax rate for the current quarter was lower than the statutory tax rate due to the losses of certain subsidiaries which can't be set off against taxable profits made by the other subsidiaries.

19. Unquoted Investment and Properties

There were no sales of unquoted investments or properties during the current financial quarter.

20. Status of Corporate Proposals Announced

There was no corporate proposal announced but not completed during the current financial quarter.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTD.)

21. Borrowings and Debts Securities

Total Group borrowings as at 31 December are as follows:-

	As at 31/12/2016 RM'000	As at 31/12/2015 RM'000
Short term borrowings		
Secured	50,156	49,220
Unsecured	11,259	9,534
	61,415	58,754
Long term borrowings		
Secured	2,173	2,755
	63,588	61,509

22. Material Litigations

There were no significant changes in material litigation since the last annual statement of financial position as at 31 March 2016.

23. Dividend Payable

No interim dividend has been proposed for the current quarter under review.

24. (Loss)/earnings per Share

a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the financial period, excluding treasury shares held by the Company.

	Individual quarter ended		Cumulative quarter ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit net of tax attributable to owners of the parent	(217)	287	(1,771)	(5,158)
	Individual quarter ended		Cumulative quarter ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	230,996	230,996	230,996	230,996
	Individual quarter ended		Cumulative quarter ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Basic (loss)/earnings per share (sen)	(0.09)	0.12	(0.77)	(2.23)

NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

25. Disclosure of Realised and Unrealised Accumulated Losses

	As at 31/12/2016 RM'000	As at 31/3/2016 RM'000
Total accumulated losses of the Company and the subsidiaries:		
Realised	(466,046)	(466,279)
Unrealised	(14,920)	13,442
	<u>(480,966)</u>	<u>(452,837)</u>
Total share of retained profits from associate:		
Realised	16,784	15,667
	<u>(464,182)</u>	<u>(437,170)</u>
Total share of accumulated losses from joint venture:		
Realised	(862)	(862)
	<u>(465,044)</u>	<u>(438,032)</u>
Less : Consolidated adjustments	130,625	105,371
Total accumulated losses as per statements of financial position	<u>(334,419)</u>	<u>(332,661)</u>

By Order Of The Board

Batu Caves, Selangor
27 February 2017

CHAN BEE KUAN (MAICSA 7003851)
CHEONG WEI LING (MAICSA 7009208)
Company Secretaries