



SHL CONSOLIDATED BHD

Company No.: 293565-W

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

FOR

1st QUARTER ENDED

30 JUNE 2016

SHL CONSOLIDATED BHD.

Company No.: 293565-W
(Incorporated in Malaysia)

Interim Financial Report – 30 June 2016

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Financial Period Ended 30 June 2016

(The figures have not been audited)

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | | Increase / (Decrease) | |
|---|----------------------------|---|----------------------------|--|--------------------------|------|
| | CURRENT YEAR QUARTER | PRECEDING YEAR CORRESPONDING QUARTER | CURRENT YEAR TO DATE | PRECEDING YEAR CORRESPONDING PERIOD | | |
| | 30-06-16 | 30-06-15 | 30-06-16 | 30-06-15 | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | % |
| | | | A | B | A - B | |
| 1. Revenue | 60,743 | 62,166 | 60,743 | 62,166 | (1,423) | -2% |
| 2. Cost of Sales | (34,838) | (41,002) | (34,838) | (41,002) | (6,164) | -15% |
| 3. Gross Profit | 25,905 | 21,164 | 25,905 | 21,164 | 4,741 | 22% |
| 4. Other Income | 2,921 | 3,976 | 2,921 | 3,976 | (1,055) | -27% |
| 5. Distribution Costs | (1,663) | (910) | (1,663) | (910) | 753 | 83% |
| 6. Administration Expenses | (2,882) | (1,571) | (2,882) | (1,571) | 1,311 | 83% |
| 7. Profit from Operations | 24,281 | 22,659 | 24,281 | 22,659 | 1,622 | 7% |
| 8. Finance Costs | (12) | (13) | (12) | (13) | (1) | -8% |
| 9. Profit/(Loss) from Associate | 39 | 285 | 39 | 285 | (246) | -86% |
| 10. Profit before Taxation | 24,308 | 22,931 | 24,308 | 22,931 | 1,377 | 6% |
| 11. Taxation | (5,282) | (4,072) | (5,282) | (4,072) | 1,210 | 30% |
| 12. Profit for the Period | 19,026 | 18,859 | 19,026 | 18,859 | 167 | 1% |
| 13. Other Comprehensive Income | - | - | - | - | - | - |
| 14. Total Comprehensive Income for the Period | 19,026 | 18,859 | 19,026 | 18,859 | 167 | 1% |
| Profit Attributable to: | | | | | | |
| 15. Owners of the Parent | 18,921 | 18,703 | 18,921 | 18,703 | 218 | 1% |
| 16. Non-controlling Interests | 105 | 156 | 105 | 156 | (51) | -33% |
| | 19,026 | 18,859 | 19,026 | 18,859 | 167 | 1% |
| Total Comprehensive Income Attributable to: | | | | | | |
| 17. Owners of the Parent | 18,921 | 18,703 | 18,921 | 18,703 | 218 | 1% |
| 18. Non-controlling Interests | 105 | 156 | 105 | 156 | (51) | -33% |
| | 19,026 | 18,859 | 19,026 | 18,859 | 167 | 1% |
| Earnings Per Share Attributable to Owners of the Parent: | | | | | | |
| 19. Basic & Fully Diluted (Sen) | 7.81 | 7.72 | 7.81 | 7.72 | 0.09 | 1% |

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Report for the year ended 31 March 2016 and the accompanying explanatory notes attached to the interim financial report)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

| | (UNAUDITED) As At 30-06-2016 RM'000 | (AUDITED) As At 31-03-2016 RM'000 |
|--|--|--|
| ASSETS | | |
| Non-current assets | | |
| 1. Property, plant and equipment | 214,802 | 215,735 |
| 2. Prepaid lease payments | 695 | 695 |
| 3. Investment in associate | 14,696 | 14,657 |
| 4. Investment properties | 69,880 | 69,880 |
| 5. Land held for property development | 4,135 | 4,031 |
| 6. Investments | 24 | 24 |
| 7. Trust account | 2,428 | 2,411 |
| 8. Deferred tax assets | 1,868 | 1,868 |
| 9. Trade receivables | 2,096 | 2,346 |
| | 310,624 | 311,647 |
| 10. Current assets | | |
| 10.1 Prepaid lease payments | 10 | 10 |
| 10.2 Property development costs | 187,349 | 184,093 |
| 10.3 Inventories | 17,986 | 16,648 |
| 10.4 Trade and other receivables | 38,527 | 44,685 |
| 10.5 Current tax assets | 9,086 | 8,699 |
| 10.6 Cash and deposits | 310,863 | 305,810 |
| | 563,821 | 559,945 |
| 11. TOTAL ASSETS | 874,445 | 871,592 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the parent | | |
| 12. Share capital | 242,124 | 242,124 |
| 13. Reserves | 490,641 | 471,635 |
| | 732,765 | 713,759 |
| 14. Non-controlling Interests | 18,207 | 18,102 |
| 15. Total equity | 750,972 | 731,861 |
| 16. Non-current liabilities | | |
| 16.1 Deferred tax liabilities | 23,185 | 22,656 |
| 16.2 Borrowings | 483 | 569 |
| 16.3 Club establishment fund | 11,848 | 11,845 |
| | 35,516 | 35,070 |
| 17. Current liabilities | | |
| 17.1 Trade and other payables | 87,564 | 104,243 |
| 17.2 Taxation | 29 | 41 |
| 17.3 Borrowings | 364 | 377 |
| | 87,957 | 104,661 |
| 18. TOTAL LIABILITIES | 123,473 | 139,731 |
| 19. TOTAL EQUITY AND LIABILITIES | 874,445 | 871,592 |
| 20. Net assets per share (RM) | 3.03 | 2.95 |

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

SHL CONSOLIDATED BHD. (Company No.: 293565-W)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Financial Period Ended 30 June 2016

(The figures have not been audited)

| | Non-distributable | | | | | Distributable | Total | Non- | Total |
|--|-------------------|------------------|------------------------|-------------------|--------------------|---------------------|----------------|--------------------------|----------------|
| | Share Capital | Share Premium | Revaluation Surplus | Merger Deficit | Capital Reserve | Retained Profits | | controlling Interests | Equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | A | B | A + B |
| 1. 3 months ended | | | | | | | | | |
| 30 June 2016 | | | | | | | | | |
| 1.1 At 1 April 2016 | 242,124 | 1,225 | 96,871 | (130,464) | 11,040 | 492,963 | 713,759 | 18,102 | 731,861 |
| 1.2 Total comprehensive income for the period | - | - | - | - | - | 18,921 | 18,921 | 105 | 19,026 |
| 1.3 Realisation of revaluation reserve | - | - | (246) | - | - | 331 | 85 | - | 85 |
| 1.4 At 30 June 2016 | 242,124 | 1,225 | 96,625 | (130,464) | 11,040 | 512,215 | 732,765 | 18,207 | 750,972 |
| 2. 3 months ended | | | | | | | | | |
| 30 June 2015 | | | | | | | | | |
| 2.1 At 1 April 2015 | 242,124 | 1,225 | 97,235 | (130,464) | 11,040 | 473,246 | 694,406 | 19,795 | 714,201 |
| 2.2 Total comprehensive income for the period | - | - | - | - | - | 18,703 | 18,703 | 156 | 18,859 |
| 2.3 Realisation of revaluation reserve | - | - | (223) | - | - | 301 | 78 | - | 78 |
| 2.4 Dividends paid | - | - | - | - | - | (24,212) | (24,212) | - | (24,212) |
| 2.5 At 30 June 2015 | 242,124 | 1,225 | 97,012 | (130,464) | 11,040 | 468,038 | 688,975 | 19,951 | 708,926 |

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
Financial Period Ended 30 June 2016

| | 3 months ended 30-06-2016 | 3 months ended 30-06-2015 |
|---|--|--|
| | RM'000 | RM'000 |
| 1 Cash flows from operating activities | | |
| 1.1 Profit before taxation | 24,308 | 22,931 |
| 1.2 Adjustments for :- | | |
| 1.2.1 Depreciation and amortisation | 1,373 | 2,385 |
| 1.2.2 Loss / (gain) on disposal of property, plant and equipment and investment property | - | (70) |
| 1.2.3 Interest expenses | 12 | 13 |
| 1.2.4 Interest income | (2,839) | (3,605) |
| 1.2.5 Provision for doubtful debts | - | (1) |
| 1.2.6 Loss / (profit) from associate | (39) | (285) |
| 1.3 Operating profit / (loss) before working capital changes | 22,815 | 21,368 |
| 1.4 (Increase)/decrease in inventories and property development costs | (4,594) | 24,892 |
| 1.5 (Increase)/decrease in receivables | 6,413 | 79,303 |
| 1.6 Increase/(decrease) in payables | (16,681) | (49,716) |
| 1.7 Cash generated from / (absorbed by) operations | 7,953 | 75,847 |
| 1.8 Tax paid | (5,070) | (4,609) |
| 1.9 Net cash inflow / (outflow) from operating activities | 2,883 | 71,238 |
| 2 Cash flows from investing activities | | |
| 2.1 Receipt/(Deposit) from/(to) trust account | (17) | (19) |
| 2.2 Purchase of property, plant and equipment | (440) | (329) |
| 2.3 Purchase of land held for property development | (104) | (39) |
| 2.4 Proceeds from disposal of property, plant and equipment | - | 9 |
| 2.5 Proceeds from disposal of investment property | - | 580 |
| 2.6 Interest received | 2,839 | 3,605 |
| 2.7 Net cash inflow / (outflow) from investing activities | 2,278 | 3,807 |
| 3 Cash flows from financing activities | | |
| 3.1 Receipt / (Refund) of members' deposit | 3 | 9 |
| 3.2 Payment of finance lease liabilities | (99) | (189) |
| 3.3 Interest paid | (12) | (13) |
| 3.4 Dividends paid to shareholders of the Company | - | (24,212) |
| 3.5 Net cash inflow / (outflow) from financing activities | (108) | (24,405) |
| 4 Net increase / (decrease) in cash and cash equivalents | 5,053 | 50,640 |
| 5 Cash and cash equivalents at 1 April 2016 / 2015 | 305,810 | 215,590 |
| 6 Cash and cash equivalents at 30 June 2016 / 2015 | 310,863 | 266,230 |
| 7 Analysis of Cash and Cash Equivalents :- | | |
| 8 Cash & deposits | 310,863 | 266,230 |

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Audited Financial Report for the year ended 31 March 2016 and the accompanying explanatory notes attached to the interim financial report)

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with Financial Reporting Standard 134, Interim Financial Reporting.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 March 2016.

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the audited financial statements for the year ended 31 March 2016, except for the adoption of the following new and revised Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations Committee (IC) interpretations.

| | Effective for financial periods beginning on or after |
|--|--|
| Amendments to FRS 132 : Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to FRS 136 : Recoverable Amount Disclosures for Non-Financial Assets | 1 January 2014 |
| Amendments to FRS 10, FRS 12 and FRS 127 : Investment Entities | 1 January 2014 |
| Amendments to FRS 119 : Defined Benefit Plans : Employee Contributions | 1 July 2014 |
| Amendments to FRS 11 : Accounting for Acquisitions of Interest in Joint Operations | 1 January 2016 |
| Amendments to FRS 116 and FRS 138 : Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| IC Interpretation 21 : Levies | 1 January 2014 |
| Annual Improvements to FRS 2010 – 2012 Cycle | 1 July 2014 |
| Annual Improvements to FRS 2011 – 2013 Cycle | 1 July 2014 |

The adoption of the above revised standards and amendments to existing standards did not have any significant impact on the financial statements of the Group

Malaysian Financial Reporting Standards (MFRSs)

To converge with International Financial Reporting Standards (“IFRSs”) in 2012, the Malaysian Accounting Standards Board (“MASB”) had on 19 November 2011, issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRSs”), which are mandatory for financial periods beginning on or after 1 January 2012, with the exception of transitioning entities.

Transitioning entities include:

(a) Entities that are within the scope of :

- MFRS 141 Agriculture; and
- IC Interpretation 15 Agreements for Construction of Real Estate

(b) The parent, significant investor and venture of entities as stated in (a) above.

On 2 September 2014, MASB announced that transitioning entities are required to apply the Malaysian Financial Reporting Standards Framework for annual periods beginning on or after 1 January 2017. MASB has also issued the following MFRSs:

- MFRS 15 *Revenue from Contracts with Customers*.
- *Agriculture: Bearer Plants* (Amendments to MFRS 116 and MFRS 141).

On 8 September 2015, MASB confirmed that the effective date of MFRS 15 Revenue from Contracts with Customers will be deferred to annual periods beginning on or after 1 January 2018, following the press release by International Accounting Standards Board (IASB) confirming a one-year deferral of IFRS 15 Revenue from Contracts with Customers.

The Group and the Company will adopt the MFRS 15 *Revenue from Contracts with Customers* effective 1 April 2018.

2. Audit report for the preceding annual financial statements

The audit report for the financial statements for the year ended 31 March 2016 was not qualified.

3. Seasonal or cyclical factors

The business operations of the Group are generally affected by the prevailing market condition of the Malaysian property development and construction sectors that have historically shown long term cyclical trend.

4. Exceptional items

There were no exceptional items during the current period under review.

5. Changes in estimates

There were no changes in the nature and amount of estimates reported in prior interim periods of the current financial year or in estimates reported in prior financial year that have a material effect in the current periods under review.

6. Debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current financial year-to-date.

7. Dividends Paid

During the financial year ending 31 March 2017, a second interim single-tier dividend of 7 sen per share, amounting to a net dividend of approximately RM16.95 million in respect of the financial year ended 31 March 2016, was paid on 1 July 2016.

8. Valuations of property, plant and equipment

The valuations of land and buildings have been brought forward, without amendment from the previous annual financial statements.

9. Material events subsequent to the end of the reporting period

There were no material events subsequent to the end of current quarter to 18 August 2016, the latest practicable date that is not earlier than 7 days from the date of issue of this quarterly report.

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10. Segmental information

The segmental analysis for the period ended 30 June 2016 is tabulated below:

| | Investment and services RM'000 | Property development RM'000 | Construction RM'000 | Trading RM'000 | Manufacturing RM'000 | Quarrying RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|------------------------------|--------------------------------------|-----------------------------------|------------------------|-------------------|-------------------------|---------------------|------------------------|------------------------|
| REVENUE | | | | | | | | |
| External sales | 2,839 | 57,209 | - | - | 49 | 646 | - | 60,743 |
| Inter-segment sales | 586 | - | 25,544 | 11,033 | 2,985 | - | (40,148) | - |
| Total revenue | 3,425 | 57,209 | 25,544 | 11,033 | 3,034 | 646 | (40,148) | 60,743 |
| RESULTS | | | | | | | | |
| Segment results | 550 | 19,188 | 50 | 11 | 995 | 648 | - | 21,442 |
| Interest income | | | | | | | | 2,839 |
| Finance costs | | | | | | | | (12) |
| Profit/(Loss) from associate | | | | | | | | 39 |
| Profit before tax | | | | | | | | 24,308 |
| Taxation | | | | | | | | (5,282) |
| Profit for the period | | | | | | | | 19,026 |

Segmental reporting by geographical locations has not been presented as all the activities of the Group's operations are carried out in Malaysia only.

11. Changes in the composition of the Group

There were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations.

12. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets as at 30 June 2016.

13. Capital commitments

No capital commitment was outstanding as at 30 June 2016.

14. Related party transactions

The significant related party transactions for the current financial year-to-date under review are as follows:

- a) Income from rental of premises for approximately RM0.03 million.
- b) Procurement of engineering consultancy services for approximately RM1.43 million.
- c) Rental expense of premises for approximately RM0.24 million.

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (BMSB)**

1. Review of performance

Current Year-To-date vs Preceding Year-To-date

The Group recorded a profit before taxation for the period ended 30 June 2016 of RM24.31 million, increased by RM1.38 million or 6.0% as compared to preceding year's profit before taxation of RM22.93 million. The increase in the Group's profit is mainly due to upward revision of the average gross margin on sales under our property development business.

Performance of the respective operating business segments for the current year-to-date as compared to the preceding year-to-date is analysed as follows:

- (i) Property development – The increase in pre-tax profit was mainly due to upward revision of the average gross margin on sales.
- (ii) Bricks Manufacturing – The increase in pre-tax profit was mainly due to increase in the sales of our clay bricks.
- (iii) There are no significant variations for other business segments.

2. Variation of results against preceding quarter

The Group's profit before taxation of RM24.31 million for the current quarter was lower by RM1.63 million compared to RM25.94 million achieved in the immediate preceding quarter. The lower profit registered for the current quarter is mainly due to decrease in profit generated by our bricks manufacturing business.

3. Prospects for the next financial year

The Malaysian economy is projected to grow at a slower pace of 4.0% to 4.5% in 2016, driven mainly by a combination of weaker domestic demand, unstable oil prices and depreciating ringgit.

The on-going Mass Rapid Transit (MRT) lines along suburban areas are expected to increase the demand for the landed residential properties located in these areas. However, the continued effect of Bank Negara Malaysia's tightening lending rules and the current weak economic environment has resulted in a softening of demand for residential and commercial properties.

Barring any unforeseen circumstances, the Board of Directors is cautiously optimistic that the Group's performance for the current financial year will be satisfactory.

4. Profit forecast or profit guarantee

Not applicable as no profit forecast or profit guarantee was published.

5. Notes to Condensed Consolidated Statement of Comprehensive Income

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

| | Current year quarter <u>RM'000</u> | Current year-to- date <u>RM'000</u> |
|-------------------------------|---|--|
| Interest income | (2,839) | (2,839) |
| Other income | (82) | (82) |
| Interest expense | 12 | 12 |
| Depreciation and amortisation | 1,373 | 1,373 |

6. Tax expense

| | Current quarter ended 30 June | | Year-to-date ended 30 June | |
|---|--|-------------------------------|---------------------------------------|-------------------------------|
| | 2016 <u>RM'000</u> | 2015 <u>RM'000</u> | 2016 <u>RM'000</u> | 2015 <u>RM'000</u> |
| Current | 3,643 | 767 | 3,643 | 767 |
| Under / (Over) provision in prior year | 1,026 | - | 1,026 | - |
| Deferred | 613 | 3,305 | 613 | 3,305 |
| | <u>5,282</u> | <u>4,072</u> | <u>5,282</u> | <u>4,072</u> |
| Effective tax rate | <u>22%</u> | <u>18%</u> | <u>22%</u> | <u>18%</u> |

The effective tax rate of the Group for the year-to-date was lower than the statutory rate as certain income was not taxable.

7. Status of corporate proposals announced

There were no corporate proposals announced but not completed as at 18 August 2016.

8. Borrowings

The Group borrowings as at 30 June 2016 are as follows: -

| | <u>Secured</u> |
|------------|-----------------------|
| | <u>RM'000</u> |
| Short Term | 364 |
| Long Term | 483 |
| | <u>847</u> |

The above borrowings are denominated in Ringgit Malaysia.

9. Realised and Unrealised Profits/Losses

The realised and unrealised profits/losses as at 30 June 2016 are as follows: -

| | As at 30 June 2016 | As at 31 March 2016 |
|--|-------------------------------|--------------------------------|
| | RM'000 | RM'000 |
| Total retained profits of the Company and its subsidiaries: | | |
| - Realised | 475,471 | 507,197 |
| - Unrealised | 235,645 | 199,927 |
| | 711,116 | 707,124 |
| Total share of accumulated profits / from associate company: | | |
| - Realised | 13,391 | 11,908 |
| - Unrealised | - | 1,444 |
| | 724,507 | 720,476 |
| Less: Consolidation adjustments | (212,292) | (227,513) |
| Total group retained profits as per consolidated accounts | 512,215 | 492,963 |

10. Dividend

10.1 No dividend was declared for the current quarter ended 30 June 2016.

10.2 In respect of the previous financial year ended 31 March 2016:

- (i) The Board of Directors has proposed a final single-tier dividend of 6 sen per share (2015: 8 sen per share) in respect of the financial year ended 31 March 2016, which is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.
- (ii) The dividend, if approved, will be paid on 5 October 2016.
- (iii) A Depositor shall qualify for entitlement to the dividend only in respect of:
 - (a) Shares transferred into the Depositor's Securities account before 4.00 p.m. on 19 September 2016 in respect of transfers; and
 - (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

11. Earnings per share (Basic and fully diluted)

Earnings per share of the Group is calculated by dividing profit for the period attributable to ordinary equity holders of SHL Consolidated Bhd by the number of ordinary shares in issue during the said financial period.

For and on behalf of the Board
SHL CONSOLIDATED BHD.

Dato' Sri Ir. Yap Chong Lee
Executive Director
24 August 2016